

BEYOND PLURALISM

Reconciling the British industrial relations tradition and Habermas' *Theory of Communicative Action*

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Abstract

The thesis opens with a discussion of the theoretical influences on British industrial relations (IR), notably the approach known as ‘pluralism’. It then considers how these influences have been manifest in practice since the late 1960s, analysing IR policy documents produced by the peak organizations of capital and labour and by governments and political parties. The discussion refers mainly to the British case, but some recent developments in Ireland are also considered.

Pluralist IR theory is shown to have hindered the development of responses to neoliberal attacks on the principle of worker self-organization. It is argued that, at least on an abstract theoretical level, an adequate response would have been to accept that the success of enterprises represents a shared interest of employers and employees, and that bargaining should therefore be abandoned in favour of deliberative forms of joint decision-making. This logic is reflected to some extent in recent union policies, especially in Ireland. However, a more determined change of direction has been inhibited by the theoretical inheritance of pluralism, principally its implication that market forces are not objective and autonomous but are an expression of values and interests inimical to the socio-political aims of the labour movement.

The second part of the thesis is devoted to demonstrating that this need not be the case. The argument is based on a critique and reconstruction of Habermas’ *Theory of Communicative Action*. It is shown that although the employment relationship is to some extent ‘media-steered’, communicative interaction between employer and employee — interaction based on consensually-defined and thereby valid norms — is nonetheless possible. This implies that workers can participate positively in the definition and redefinition of the economic and administrative systems of capitalist society without thereby necessarily validating the existing aims and values of capital. The thesis concludes with a discussion of the implications of this finding for the theory and practice of industrial relations and the future of trade unionism.

Introduction: Theory and policy in British industrial relations

Writing in the French news magazine the *Nouvel Observateur*, Jean Daniel comments that although French socialists abandoned Marx and Marxism in about 1983, “ils ont refusé de théoriser cette conversion et d’en organiser la pédagogie.”¹ It may seem a little odd to suggest that the notoriously pragmatic British Left managed to do this where the French could or would not, but it is arguably the case that the pluralist industrial relations tradition which was dominant in Britain in the second half of the 20th century represented the outcome of precisely such a re-theorization and re-diffusion of the basic tenets of socialist politics. For a significant period it was the principled commitment to pluralist industrial relations (IR) and to the conceptualization of the employment relationship that underpinned it which most clearly distinguished British socialism from both communism and liberalism, and which also formed the basis of the link between the trade unions and the Labour Party.

Despite its long-established non-marxist theoretical foundations, British socialism was nevertheless unable to avoid the wave of revisionism of which the French *conversion* was an important component. Indeed, rather than assisting the process of addressing the changed political and economic climate of the 1980s, the postwar theoretical accommodation which had become so well rooted in the British Labour movement made any further re-theorization very difficult. This difficulty led indirectly to the opening of a serious rift between the political and industrial wings of what was supposed to be a single movement. While the Labour Party simply abandoned its prior theoretical commitments without replacing them — in the process opening itself to precisely the accusations of betrayal which Daniel suggests have been directed at the French socialists² — the trade unions, led by the Trades Union Congress (TUC), made serious efforts to come up with a new analysis of society and the economy on the basis of which worker self-organization and action could unequivocally be defended. Their efforts to do so, however, were vitiated by the attempt to hold on to the core components of industrial relations pluralism rejected by the Labour Party in the course of its transformation into ‘New Labour’. More precisely, the potential of an otherwise theoretically coherent and politically attractive alternative to pluralist industrial relations, social partnership, was not fully explored because it could not be reconciled with the most deeply-rooted conceptual commitments of the existing tradition.

¹ Daniel 2003, p4-5. It is not in fact very easy directly to translate this apparently straightforward sentence, but the sense of Daniel’s comment is that the leaders of French socialism refused to develop a properly thought-through, intellectually defensible account of their change of position which could be diffused among and beyond its supporters.

² “Ils se sont exposés ainsi au risque de se voir accuser de trahison plutôt que de revendiquer l’audace d’une adaptation à la modernité.” (*Ibid.*)

The two central questions we want to explore in this thesis are why this should have been so — that is, why it proved to be so difficult for the British labour movement to respond to the challenge of neoliberalism — and whether it could have been otherwise. Although we begin our attempt to answer these questions by conducting a close analysis of arguments made in public inquiries, policy statements and manifestoes since the second half of the 1960s, our intention in so doing is not to produce a work of contemporary history. We do not intend to provide answers in terms of the historical and political particularities of the UK. Rather, our aim is to engage with the *logic* of the policy debate in an attempt to understand the nature of the different modes of justification of authority and subordination which have been used over the years. Having done this, we can go on to consider on what conceptual and theoretical basis the employment relationship might be founded in order better to support the struggle for democracy and accountability in the workplace.

Our eventual aim, then, is to draw some generally-applicable conclusions about the characteristics of a theory of employment and the enterprise that could form the kernel of a new, non-marxist politics of the left. The question which immediately arises is whether we are entitled to do this on the basis of a study which focuses overwhelmingly on the experience of a single country. However, while it would certainly have been preferable to take a range of national policy debates into consideration, the focus on the British case can be defended on the grounds of its unusual theoretical pertinence.³ First of all, the pluralist approach to the employment relationship and the enterprise was built on an engagement with more general theoretical questions relating to social structure and social action that represented a serious, if not wholly successful, attempt to produce a liberal socialist theory of society. This theory, whose development was due notably to Allan Flanders and Alan Fox, drew heavily on an American tradition of political and economic sociology, the principal influence on which had been the work of Max Weber. Second, the reassertion of the rights or prerogatives of management that characterized the challenge to pluralism emerging in the 1970s and 1980s brought into sharp relief the crucial question of authority and subordination in the context of the employment relationship. Third, the failure of the inheritors of the liberal socialist tradition — of which pluralist industrial relations was a crucial part — to deal satisfactorily with this question provides an unusually clear example of how theoretical incapacity can contribute to political defeat.

Our analysis of the policy debate has three aims, corresponding roughly to the three issues just raised. The first is to unearth the conceptual and theoretical underpinnings of the British

³ At the same time, it would be disingenuous to claim that this theoretical pertinence was the only reason for our concentration on the UK. The usual factors of the researcher's prior knowledge, ease of access to documentary materials, time, and the need to restrict the thesis to a reasonable length were also relevant to the choice of empirical focus.

industrial relations tradition. The second is to try to understand the challenge to this tradition that emerged in the 1970s and 1980s in the form of the reassertion of the rights or prerogatives of management within the employment relationship. The third is to consider how the Labour Party and the TUC responded or tried to respond to the arguments that formed the basis of the neoliberal challenge to pluralist industrial relations.

In the light of the lessons we draw from this engagement with the policy debate and the academic approaches that informed it, we go on in the second part of the thesis (Chapters 4 to 7) to construct an approach to industrial relations and organization theory that aims to provide a sound basis on which to question the unilateral authority of management. In doing so, our principal theoretical resource will be the work of Jürgen Habermas, which we will use to develop and clarify some arguments suggested by our analysis of the British policy debate. This focus on Habermas, like the focus on the UK, perhaps requires some explanation and justification.

When we talk of socialist political parties abandoning Marxism, we mean their acceptance that the system of production, distribution and exchange will remain fundamentally capitalist. Abandoning Marxism, then, involves leaving behind any notion that the trade unions should be or will be able to become a “workers’ movement” in Alain Touraine’s sense.⁴ Certainly, the setting aside of revolutionary intent which has characterized European social democratic politics does not in itself imply a *positive* commitment to the capitalist system, but it involves at minimum the open recognition that the market economy is the least bad of the available options. Once this step has been taken, it seems obvious that for both political and theoretical reasons there is a need to define the role of workers and trade unions in capitalist society in such a way as to justify the proposed accommodation with capital, explaining in particular how and why agreeing to work alongside it does not represent a capitulation to the very forces organized labour aims to resist.

In the British trade union movement in the 1950s, the need for such a theoretical alternative to Marxism was urgent. The Communist Party of Great Britain was highly influential, particularly at the level of workplace union organization, but it was clear that in comparison the politics of the mainstream social democratic Labour Party were insufficiently well grounded in a coherent theory of society. The work of Beatrice and Sidney Webb, long the main intellectual support for British trade unionism, seemed increasingly naïve in its assumption that any politically possible compromise between labour and capital was a good one. Flanders, an Oxford University academic and committed anti-communist, took the lead in trying to develop an approach to industrial relations and trade unionism that would be compatible with industrial

⁴ Touraine *et al* 1987.

updating and enlightened modern management while at the same time allowing workers to maintain a degree of control over the employment relationship.⁵

As we have already noted, the principal British theorists of pluralist IR were strongly influenced by the work of liberal American economists and sociologists like Clark Kerr, Neil Chamberlain and John Dunlop. Perhaps the best reason to relate the British policy debate to a theoretical discussion focused on Habermas is that certain crucially important theoretical threads connecting these writers to Flanders and Fox are also present in the work of Habermas. These connections begin with Max Weber.

Kerr *et al* were members of the generation of American social scientists that ‘discovered’ Weber, principally through the translations of Talcott Parsons and C. Wright Mills. Broadly speaking, they wanted to defend capitalism in the economic sphere, at the same time as supporting liberal democracy in the political sphere. The resolution of the contradiction between political democracy and the subordination of worker to employer was essentially Weberian: subordination in economic relationships was the price it was necessary to pay for the benefits of market economics. The liberal component of this particular worldview inhered in the conception of collective bargaining as the means by which it would be ensured that the price paid by workers was not *unnecessarily* high, both in an economic sense and — perhaps more importantly — in the sense of the right of workers to abstain from any moral commitment to the aims of their employers. Further, that employment was not a relationship with substantive normative content meant that industrial relations could be conceived as a social system in Parsons’ sense. Dunlop’s *The System of Industrial Relations* was intended precisely as a piece of Parsonian system theory.

Flanders developed the Americal liberal pluralist position somewhat, arguing for the conceptualisation of industrial relations as a process in which conflicting economic *and* normative aims were simultaneously conciliated. Fox further highlighted the potential conflict between structurally-induced role behaviour and normatively-driven individual action and hence the fact that the workplace is the site *par excellence* of the conflict between structure and agency. While Fox seems to have realised that the holy grail of industrial relations theory would be a resolution of this conflict, he was unable to provide it. His attempts to integrate agency into the systems thinking that dominated IR were interesting but ultimately unsuccessful. Our analysis of the policy debate, particularly more recent developments in union thinking about social partnership, highlights the ongoing difficulty of incorporating the concept of normative commitment to the aims of an enterprise into the pluralist theoretical picture of the employment system which is still dominant in the British and Irish trade union movements.

⁵ See Kelly 2000.

In the light of this theoretical history, the work of Habermas is an obvious choice as a means to try to move the argument on. The theory of communicative action combines a commitment to Parsonian systems thinking with a fascinating and sophisticated approach to social action. What we try to do in the second part of the thesis is to integrate these two approaches in order to take account of the possibility that the resolution of social interactions might simultaneously depend on both structural and normative factors. As we shall see, Habermas himself takes the view that this is not possible; or rather, that in economic and administrative contexts of action structural motivation will inevitably be dominant. By means of a critique and reconstruction of his approach to social interaction in such ‘systemic’ contexts, we are able to show that although the employment relationship is to some extent ‘media-steered’, communicative interaction between employer and employee — interaction based on consensually-defined and thereby valid norms — is nonetheless possible. Our ultimate conclusion, then, is that workers *can* participate positively in the definition and redefinition of the economic and administrative systems of capitalist society without thereby validating the existing aims and values of capital. Thus we show that, at least in principle, the way is clear for the development of a ‘post-pluralist’ approach to industrial and economic democracy.

Chapter 1 The intellectual roots of British industrial relations at the time of the Donovan Commission

It is probably fair to say that the 1970s and 1980s did not pan out as the British industrial relations establishment had expected. Trade unions, managers and academics were all surprised, whether pleasantly or unpleasantly, by the reappearance of ‘managerial prerogative’, a phenomenon which in the 1960s was rarely witnessed, only tentatively defended and generally presumed to be on the point of vanishing altogether. In 1968 it seemed obvious that the future belonged instead to collective bargaining — ever wider in coverage and scope, ever more confident in the claim that the role of management had permanently changed. No longer the political commissars of the capitalist class system, managers were being stripped of their arbitrary authority and would soon become merely one technical function among others within the enterprise, their ability to require obedience from workers tightly contained within a negotiated framework of rules and regulations.

But somehow this future never arrived. By the middle of the 1980s, managerial prerogative had returned, this time able to defend itself against the claims of collective bargaining. Managers had found a new set of arguments, a new vocabulary of justification for their authority. With the benefit of hindsight, it seems clear that these changes amounted to a genuine revolution in British management. There are now few who would attempt to argue that the essentials of the industrial relations (IR) system in the UK have not been fundamentally altered. What remains hazy is exactly how this revolution could have happened. The intellectual and policy parameters of the post-war IR system were so very firmly established that radical change seemed next to impossible. Nonetheless, management and its political allies were in the end able successfully to challenge its most basic assumptions, winning back for the owners of capital and their agents an all but unquestioned right to run enterprises as they saw fit.

Although it went hand-in-hand with the accession of the ‘New Right’ to government in Britain and elsewhere, the success of this challenge to the established order was not just a question of politics. More importantly, it was a question of winning the argument in an intellectual sense. While in the 1990s the political pendulum swung (a little) back towards the left, the conceptual basis of industrial relations policy has remained that established in the years of Reagan and Thatcher. Even the trade union movement itself has seen sufficient reason in the winning arguments to have become uncertain about collective bargaining and, consequently, about the reasons for its own existence. In Britain, the unions are unsure about what better kind of working life might be hoped for in the future.

This is not to say that there are no avenues that remain to be explored; that, as some on the right have optimistically argued, the historical role of the trade union movement is finished. There have been some serious attempts to rethink the aims of trade unionism along lines which reconcile workers' intellectual and political independence with an acceptance of the need for a collective effort to improve competitiveness and, consequently, a positive engagement with arguments about the management of the enterprise and the economy. Among the most successful of these arguments are those which have been made in the Republic of Ireland. Even there, however, the confidence with which alternative modes of industrial management are sketched is still low in comparison with the absolute faith that tended to characterize the supporters of collective bargaining in the 1960s and 1970s.

1.1 THE DONOVAN COMMISSION AND INDUSTRIAL RELATIONS POLICY IN THE UK IN THE LATE 1960s

The period we will be considering in the first three chapters of this thesis — roughly 1965 to 1998 — began, as it was to continue, with attempts at industrial relations reform. Judging by the focus of public policy attention, the major industrial relations problem in Britain in the 1960s was thought to be the effect at national level of free collective bargaining in the workplace. Broadly speaking, there was a concern that collective bargaining was occurring in increasing isolation from any consideration of medium or long-term economic factors, whether those connected with the fortunes of the individual enterprise or with the national economy. This was thought seriously to prejudice the possibility of engaging in macro-economic measures to control inflation, and to have contributed to a decline in the ability of management to organize production efficiently.

In the second half of the 1960s, debate about the changes needed to address these problems was concentrated around the work of the Royal Commission on Trade Unions and Employers' Associations, a public committee of enquiry whose task was to consider "the role of trade unions and employers' associations in promoting the interests of their members and in accelerating the social and economic advance of the nation".⁶ The rather anodyne terms of reference of the Commission — usually known as the Donovan Commission after its chair, Lord Donovan — conceal its enormous political significance and sensitivity. At issue, as Davies & Freedland point out, was nothing less than the normative order governing industrial society.⁷

The system of industrial relations that had emerged in the United Kingdom was what Otto Kahn-Freund termed "collective laissez-faire", which is to say

⁶ Royal Commission on Trade Unions and Employers' Associations 1968.

⁷ See Davies & Freedland 1993, pp243-46.

allowing free play to the collective forces of society and [limiting] the intervention of the law to those marginal areas in which the disparity of these forces, that is, in our case, the forces of organized labour and of organized management, is so great as to prevent the successful operation of what is so very characteristically called negotiating machinery.⁸

In short, management and unions were left to get on with it, the law limiting itself to defining those areas in which trade unions and employers' associations were immune from legal action. The Trade Disputes Act of 1906 had excluded the possibility that action could be taken against a trade union (or, for that matter, an employers' association) for any of the so-called 'economic torts' committed in the course of an industrial dispute. The idea that trade union action could be construed as a conspiracy to induce employees to breach their contracts had been successfully used by employers in the 19th century to prevent union organization. Rather than introducing a positive statutory definition of when industrial action was legal, however, the reform of 1906 merely defined an area in which trade unions and their members were immune from that part of the civil law which had previously been used against them. Hence the development of the institutions of industrial relations (IR) in the UK up until the mid-1960s had been almost entirely unaffected by statutory law.

The key issue for the Donovan Commission was whether the structures and processes that had emerged in this largely unregulated context were in need of revision, and if so what form that revision should take. The very existence of the Commission implied an answer to the first question. As we have already noted, it was widely argued that one major part of the existing IR system, informal plant-level bargaining on the organization of work, was holding up economic development. The Commission identified two related reasons why this may have been the case. First, although bargaining on pay was ostensibly carried out mainly at industry level, additions to these nationally agreed pay increases were in many cases negotiated informally in the workplace — in return for the concession of change to working practices — something which meant that average earnings were running well ahead of both inflation and industry norms. The increasing level of industrial conflict, especially unofficial strike action, was also laid at the door of this unregulated and unco-ordinated local bargaining, which was led by workgroup union representatives known as 'shop stewards'. Second, British industry was badly outdated, but because of the high price of winning union assent to change, especially to the abandonment of

⁸ Quoted in Davies & Freedland 1993, pp12-13. Kahn-Freund was an authority on British and comparative labour law who was in fact a member of the Commission.

restrictive practices,⁹ managers felt that they had only a very limited capacity to take the action needed to update it. This difficulty was exacerbated by the need to fund national pay awards that took no account of the financial situation in individual workplaces.

Crudely, then, the question was to regulate or not to regulate; and if the latter, then how else to get more ‘order’ in IR. The answer would depend on the diagnosis of the underlying problem.

1.1(a) The union culpability argument

The view on the political right and among the greater part of management was that the trade union movement had simultaneously become too fragmented and too powerful, and that it was management which was being left to pick up the pieces.¹⁰ On the one hand, the strength and relative autonomy of shop stewards in the workplace meant that the unions centrally were not in control. The organizational consequences were that there was too much scope for politically-motivated trouble-making; too much sectionalism, which is to say an insufficiently broad perspective on economic interests and little recognition of the general benefit likely to arise from change and updating in industry; too little discipline in the ranks together with leadership unwilling to lead; and an absence of co-ordination between different levels of bargaining. On the other hand, the abstention of the law from IR meant that employers were virtually powerless in the face of the consequences of these organizational problems. While it was often repeated that no employer would want or need to face down *reasonable* claims from his employees, and that strong unions were an inherent part of democratic society, it was argued that the structural problems in the trade union movement were such that solidarity was being distorted into tribalism — manifest as the closed shop and in inter-union disputes — and a legitimate desire for security transformed into blind allegiance to custom and practice.

1.1(b) The management culpability argument

The alternative to this view, perhaps predictably, was that the problems of British industry were mainly management’s fault. Although he was writing in 1992, Alec Cairncross’s comments perfectly capture the sense of the contemporary ‘managerial culpability’ argument. Years of underinvestment in plant, he argues, along with

⁹ ‘Any work practice, collectively operated, which hinders or acts as a disincentive to the more effective use of labour, technical skill, machinery or other resources’ (CBI 1965).

¹⁰ See, for example, Inns of Court Conservative and Unionist Society 1958; Conservative Political Centre 1964a; Conservative Party 1966; CBI 1965.

the underdevelopment of management and supervisory staff and the general lack of co-ordination of the production process [meant that] ... reliance came to be placed on incentive payments to maintain the pace of work rather than careful advance planning of tasks; and with this went a degree of 'labour independence' and an increase in labour bargaining power. Management economised on staff and capital but at the cost of a surrender of shop-floor control.¹¹

In a more general sense, the criticism directed at British management by the trade unions and the political left was that it was failing to engage constructively with a legitimate social force that was not going to go away. It was argued that the interests, values and aspirations of workers could not be ignored, nor could their concrete manifestation — the formal and informal self-organization of workers — be suppressed. The technical incompetence of management, however, combined with a lack of appreciation of the nature of contemporary society and of their role within it meant that, through no fault of their own, workers' strength was being misdirected. It was not the case, the advocates of this position insisted, that the unions were against change *per se*. The Trades Union Congress (TUC), for example, argued in a 1966 pamphlet that '[w]orking practices or other conventions of industrial life are continually being made out-of-date by technological change.'¹² A few years later, in 1971, the very first paragraph of another TUC pamphlet intended to explain the concept of 'good industrial relations' stated that 'No industrial, administrative, or commercial establishment, whether it is producing goods or providing a service, can run successfully for long without making changes in what is done there or the way it is done.'¹³ The critics argued that despite this willingness to engage with proposals for change, management nonetheless persistently failed to behave constructively in their relationships with workers and unions:

Management is apt to advance no proposals of its own for improving wages and working conditions, but merely to react to union pressures. It concedes nothing of any substance until coerced by threats of a show of force, and then capitulates. When the lesson is made so clear that only coercion pays off, it becomes the height of absurdity to ask the unions to prevent their members from acting on it.¹⁴

¹¹ Cairncross 1992, p27. This analysis is supported by Coates and Topham, despite their rather different political orientation. See Coates & Topham 1974, pp76-78.

¹² TUC 1966a, p15.

¹³ TUC 1971b, p5.

¹⁴ Flanders 1975, p122.

1.1(c) The proposed policy solutions

These conflicting analyses of the situation pointed to two different policy solutions: corresponding to the ‘union culpability’ argument were the proposals that the main employers’ association, the Confederation of British Industry (CBI) put to the Donovan Commission.¹⁵ The CBI wanted to see a degree of legal regulation introduced into industrial relations in order to improve the unions’ ability to control their workplace representatives and, more directly, to make it more difficult for local activists to call industrial action or derogate from existing agreements. This injection of legally-sanctioned order and predictability into the industrial relations system would put managers in a better position to obtain the co-operation of workers and unions in abandoning restrictive practices. The introduction of regulation was to go hand-in-hand with greater efforts to explain the exigencies of the business environment to workers: to convince them, for example, that profit was not in itself a bad thing or that ongoing technical change was unavoidable. On the other hand, corresponding to the ‘management culpability’ argument, there was the solution eventually proposed by the Commission itself.¹⁶ This was that an effort be made to improve and extend bargaining while preserving ‘collective *laissez-faire*’ or ‘voluntarism’, most notably by formalizing (but not in a legal sense) the informal negotiating arrangements that dominated the contemporary IR agenda.¹⁷ Once order had been introduced through properly constituted, written local agreements which established procedures for bargaining on work practices, management and unions would be in a better position to negotiate ‘productivity bargains’, that is agreements linking organizational change intended to improve productivity with improvements in terms and conditions.

1.1(d) Competing modes of conceptualizing the employment relationship

We need to bear in mind here that those who gave evidence to Donovan could not afford to propose solutions which were radically different from the existing arrangements. So, although the two policy positions we have just outlined may not seem very different, there are in fact two quite distinct ways of conceptualizing the employment relationship being used. The ‘regulatory’

¹⁵ CBI 1965. There was no significant difference between the CBI’s proposals and the policy of the Conservative Party — see Conservative Political Centre 1968.

¹⁶ While the Commission’s membership included representatives of industry and the law, some of the key commissioners and the most influential members of the secretariat were not just sympathetic to the management culpability argument, but were among its strongest advocates. We have already mentioned Kahn-Freund, but among the other members was also Hugh Clegg, Professor of Industrial Relations at Oxford University.

¹⁷ It should be noted that there were four members of the Commission who expressed some reservation with the retention of an entirely voluntarist framework, and one, Andrew Shonfeld, who appended a note to the report which in effect proposed a wholly different approach based on legal regulation.

solution arises from the wish to make it easier for management to implement *existing* plans. What the CBI really wanted was a way to make the negotiating away of restrictive practices less hazardous and expensive. It was uninterested in encouraging management to work closely with unions to find new ways of improving productivity that could be sewn up with improvements in terms and conditions in a package attractive to employees. Rather, it simply wanted to make it easier for management to implement its plans, which were understood as arising from a *technical* approach to productive efficiency.¹⁸ What the majority of the members of the Commission wanted to see was different, but somewhat more nebulous. While they certainly did not envisage unions participating directly in the drawing up of enterprise plans and strategies, their conception of productivity bargaining and of the relationship between unions and employers which would emerge from its successful introduction involved rather more than making collective bargaining less of a problem for managers. As we shall see below, the conceptualization of industrial relations and employment adopted by the Commission assumed that plans of action are (or should be) the outcome of a *political* bargaining process in which the role of management is to lead a search for organizational configurations that, while effective from a business perspective, are also acceptable to workers, customers, suppliers and shareholders. The longer this process goes on, the greater the degree of trust and co-operation that arises, and the less adversarial relations between employees and managers will become. The most important thing to remember here is that the end of conflict is seen as an outcome, not a premise of change in industry.

It is this conceptual distinction between technical and political approaches to management and the employment relationship that will be our focus throughout this chapter, and indeed throughout this thesis. In the next section we will consider the academic approaches to the distinction which were contemporary with the Donovan Commission and which informed its deliberations.

1.2 FOX'S DUALISM AND ITS IMPLICATIONS

The distinction between political and technical approaches to understanding employment and management is usually rendered as the dualism of 'pluralism' vs 'unitarism'. Since the mid-1960s the distinction between these approaches, proposed as two incompatible basic conceptualizations of the employment relationship, has arguably been the single most important element in industrial relations theory in the British Isles. Although similar dualisms had been in use for some time, it was Oxford University academic Alan Fox who, in a paper written for the Donovan Commission and published in 1966, clarified and contrasted the two approaches and located them within a

¹⁸ See CBI 1965, p17. It is suggested, *inter alia*, that 'many of the decisions needed for improving efficiency [of labour usage] lie wholly or mainly outside the industrial relations field.'

simple and compelling theoretical framework drawn principally from social psychology.¹⁹ Unitarism and pluralism were two ‘frames of reference’; two conflicting and incommensurable ways of seeing the world which had very different implications for practice. Although there are more subtle distinctions that could be made between the two positions, the essential difference is easy to comprehend. The unitarist sees employment as a relationship between members of a single social group, a group with a common purpose or general will. The ‘natural’ or ‘correct’ state of the relationship is co-operation, without preconditions, in pursuit of the group’s aims. Crucially, these aims exist *prior* to any plans for action. Membership of the group is premised on the acceptance of these aims and not solely the plans and strategies for action derived from them. The pluralist, on the other hand, conceives employment as a strategic relationship between strangers which is inherently conflictual. Employee and employer have different and competing interests and hence cannot be said to form a single social group. They have no common purpose, and no general will can be attributed to them. Employment, then, is a relationship characterized by conflict and the resolution of conflict. Any co-operation that arises can only be based on the recognition of the participants’ mutual need for the help of the other in attaining his or her separate goals. Common goals in the sense, for example, of an agreed division of labour are *subsequent* rather than prior to the decision to co-operate. Membership of the group is premised not on a prior commitment to any particular set of aims, but on a willingness to seek to define plans and strategies which when carried out will satisfy the individual or sectional interests of all involved.

We need to consider Fox’s theory from two different angles. On the one hand, it represents a piece of social theory, albeit a rudimentary one, which pretends to the explanation of the empirical characteristics of industrial relations contexts under capitalism. Fox recognized that the unitarist position was in a certain sense defensible, or at least that it was possible to understand why its advocates (in the main, the managers and owners of capital) saw the world in the way that they did. More than anything else, the idea that participants in bargaining could be using incompatible frames of reference seemed to offer an explanation for industrial conflict being so difficult to resolve in many cases, even on the basis of extensive discussion between reasonable parties. The problem in these cases was simply that employers and employees did not realise that they disagreed about the most basic conceptual issues involved in understanding the employment relationship.

On the other hand, Fox’s dualism represents theoretical support for a particular industrial relations policy orientation. Along with the greater number of his contemporaries in British

¹⁹ Fox 1966.

academic industrial relations, Fox, at least at the time of the Commission, was an unabashed advocate of the pluralist position. As we shall see below, the clarification of the differences between the two competing frames of reference in the light of the available empirical evidence was intended to demonstrate the greater ‘realism’ of pluralism as an approach to the design of institutions for dealing with labour management in general and industrial conflict in particular.

With hindsight, it is the social-theoretical elements of Fox’s work that have been more influential. The version of pluralism he supported — often called the institutionalist or ‘Oxford school’ approach — is no longer seriously canvassed as a policy solution. However, the idea that the long-term answer to the resolution of industrial conflict is to get management, workers and unions ‘speaking the same language’ is still current. The harmonisation of the frames of reference adopted by participants in industrial relations has been at the core of public policy on IR ever since the Donovan Commission. As we will see in Chapter 2, what has changed is that, rather than have managers accept the pluralist view, the objective of policy since the early 1980s has been to have workers and unions accept unitarism.

What we propose to do in the rest of this section is to ‘deconstruct’ this dualism in an attempt to discover the ontological and epistemological presuppositions underpinning each position.

1.2(a) The American antecedents of Fox’s dualism: secular rationalism, ideology and the role of the manager

The distinction between two different ways of understanding the productive enterprise and the relationships from which it is constructed was in fact already well-established before the appearance of Fox’s paper. This was especially true in the USA, where for some decades academic opinion had been broadly divided into that sympathetic to Elton Mayo and his inheritors (usually known as the ‘human relations’ school) and that against.²⁰ Perhaps the best statement of this distinction — and the anti-Mayo case — is Clarke Kerr’s 1949 paper, *Plant Sociology: the Elite and the Aborigines*.²¹ Kerr argues that in the analysis of industry, one can adopt either a sociological or an economic perspective. The sociological perspective is that of Mayo, for whom

²⁰ As Michael Rose points out, the identification of the human relations approach with Mayo alone is arguably unfair, but to do justice to the diversity of the school is impossible here. It nonetheless remains the case that the principal outlines of the approach were established by Mayo. See Rose 1978, part III.

²¹ Reprinted in Kerr 1964.

The test of [managerial] performance is not efficiency, but stability. The industrial plant is not a voluntary association, but a social organism. The view of man is that of the dependent part within the social whole. The task of the manager is to produce coherence, stability and a sense of community.²²

The Mayoite position was largely premised on the results of the famous Hawthorne studies, which seemed to represent a confirmation of the functionalist sociology of Parsons and Henderson. This approach propagated “an image of man and society which stressed supposedly irreducible social elements in collective life”²³. While the Hawthorne research is notorious for its methodological errors and bias, it nonetheless highlighted the existence of social processes within the workplace that were independent of the formal system of rules which supposedly defined the relationships making up the plant organization. Mayo and his followers, having observed that this informal social fabric could work either to support or undermine the formal organization of the workplace, argued that the manager’s role was actively to manage the social system within the plant such that the relationship between workers and managers was harmonious. The basis of authority was to be consent rather than incentives; it was to have social rather than economic foundations.

What Kerr called the economic perspective, on the other hand, assumes that the central task is “the efficient management of productive resources”.²⁴ It was Kerr, himself an economist, who was responsible for importing the concept of pluralism, hitherto confined to political science, into industrial relations in order to capture the idea that efficiency requires neutrality with respect to the particular aims and values of the individuals and groups involved in production. The corollary of this neutrality is the absence of any attempt to organize society along monolithic lines. The possibility of *reorganizing* in order to pursue more efficient means of production in the face of changed market circumstances must always be kept open. Hence the pluralist emphasis on the creation and ongoing revision of social rules — in this case the rules that govern the productive enterprise — on the basis of negotiation between competing centres of power.

Although he himself described the economic approach as embodying ‘secular rationalism’, there is clearly also a liberal-ethical component to Kerr’s pluralism. While industrialization brings benefits for which it is worth paying a high price in terms of lost autonomy, it is nonetheless

²² Kerr 1964, p44.

²³ Rose 1978, p169.

²⁴ Rose 1978, p169.

an urgent social concern that the price be no higher than absolutely necessary; that the essential discipline necessary for the proper working of the industrial order not have compounded on top of it pressures for conformity which draw their inspiration not from the requirements of industrial technology but from the desires of institutions and leaders to exercise power for reasons other than that of productive efficiency.²⁵

What Kerr has in mind here is ideological motivation, such as was to be found *par excellence* in the Soviet Union of the 1950s. As Hyman argues, one of Kerr's primary concerns was to defend post-war US practice against the Soviet model.²⁶ Certainly he seems to have seen in the tenets of the human relations school something comparable to communism:

The case for the prescription of the plant sociologist is not... that the facts compel the prescription but rather that the vision of the plant sociologist is not impossible of achievement if we want it badly enough. The charge against those who do not share the vision cannot be, therefore, that they are blind to facts but rather that they are of the wrong religion and worship false gods.²⁷

Kerr's work, not least in its polemical intent, illustrates a recurring theme in the management and industrial relations literature and policy debates: the difficulty of separating normative considerations from the 'objective' assessment and analysis of industrial organization. Whether it is possible for managers successfully to intervene in or control the social processes which exist both within and beyond the formal rules which define an organization; and if it is possible whether they *should* do so, are two fundamental questions. On this basis we can draw a rough line between unitarism, which assumes that managers can and should approach social processes within the enterprise from a technical perspective, which is to say as something which in principle can be controlled, and pluralism, which argues not only that they should not, but also that attempts to do so will inevitably be counterproductive.

1.2(b) The idea of 'frames of reference' as social theory

Fox's paper for the Donovan Commission is most often remembered for the idea of the two competing frames of reference, but in fact the theoretical position he sets out is rather more sophisticated and wide-ranging. What he attempts to do in the paper is to step away from the

²⁵ Kerr 1964, p5.

²⁶ See Hyman's 1978 essay, *Pluralism, Procedural Consensus and Collective Bargaining*, reprinted in Hyman 1989.

²⁷ Kerr 1964, p81.

political arguments of the day in order to explain why the unitarist route to improved co-operation between workers and management in industry — improved co-operation being the means by which British industry was to be redeemed — was to be objected to on strictly ‘scientific’ rather than normative grounds. This involves him in a flirtation with the classical sociological problem of whether to award epistemological primacy to social structure or social action.

Fox argues that the frame of reference adopted by actors is directly related to the particular social role they play within the enterprise, something which in turn is determined by enterprise structure. So, although he initially appears to be trying to explain industrial behaviour on the basis of the agential or action-level concepts of unitarism and pluralism, he ultimately assumes that structure is primary. The structural determinants of behaviour, says Fox,

exert their effects irrespective of normal variations of personality and personal relationships. A brief statement of this approach might be that the industrial behaviour of individuals and relationships between them are shaped, not only by their being the sort of people they are, but also by the technology with which they work, the structure of authority, communications and status within which they are located, the system of punishments, rewards and other management controls to which they are subjected and various other aspects of ‘the structures of the situation’.²⁸

Fox introduces the concepts of the ‘role’ and of ‘role behaviour’ as mediating between structure and action. Roles, he argues, are largely structurally determined, each a ‘pattern of required behaviour’ which ‘in some measure... exists independently of the person filling it at any one time’.²⁹ Roles constrain and determine the behaviour of their occupants to such an extent that, regardless of who is filling them, the relationship between roles will always be the same. Thus to change behaviour you need to change roles, and to change roles you need to change structure. In essence his contention is that if the structures of the enterprise remain the same, then other attempts to change behaviour — whether through exhortation, incentives or threats — are futile.

Within the framework of this theoretical overview, Fox’s advocacy of pluralism can be understood as a critique of the argument that improved co-operation between workers and employers could be achieved on the basis of existing modes of industrial organization. While, *a priori*, there is nothing to suggest that pluralism is a better or more accurate way of looking at the world than unitarism, his interpretation of the empirical evidence leads Fox to argue that the

²⁸ Fox 1966, para 60.

²⁹ Fox 1966., para 62.

restructuring of enterprises along pluralist lines is essential. For Fox, the existence of chronic and irredeemable structural conflict within the capitalist enterprise is so obvious that he concludes that the unitarist outlook represents a kind of cognitive dysfunction. He talks about the high ‘emotional yield’ that managers get from their ideology, and the ‘guilt’ they may experience if they surrender what they see to be their proper decision-making prerogative. Managers can also demonstrate a ‘genuine incapacity to understand’ the conflict generated by pluralistic forces.³⁰ Perhaps most damningly, he comments that unitarism is “not an analytic tool for social diagnosis and prescription, but ... an instrument by which managers seek to reassure themselves and public opinion that the cause of failure lies elsewhere”.³¹

Within this strongly structuralist theoretical approach there seems little room for any recognition that behaviour within the enterprise is influenced by factors *external* to it — workers’ attitudes and personalities, cultural norms and values, power relations in wider society — but we can point to two arguments made by Fox, one in the 1966 paper and one in a later work, which suggest that in fact he recognized that the situation was not so straightforward. In the 1966 paper, Fox argues that part of what made pluralist modes of industrial organization so necessary was change in the power relations prevailing in industry.³² It was a commonplace in industrial relations debate at the time that the long period of full employment which began after World War Two had significantly changed the industrial balance of power, inaugurating a permanent change in class structure. This essentially economic change had in turn helped to accelerate social change — change in attitudes and values, most notably the decline of the deference of the working classes to their ‘betters’. It was frequently argued that if managers could produce no better justification for their authority than the traditional prerogatives of the capital-owning classes, then, they would soon discover that their employees had the capacity and the willingness to resist that authority.

In *Beyond Contract*, perhaps Fox’s most important work, he further qualifies his structuralism with the suggestion that the frame of reference adopted by participants in the enterprise is the result of a combination of factors, of which their ‘structural location’ is only one.

Both the unitary and pluralistic perspectives are frames of reference through which men perceive and define social phenomena, and their perceptions and definitions determine their behaviour... History and current observation show that management may succeed,

³⁰ *Ibid.*, para 48-9.

³¹ *Ibid.*, para 51.

³² *Ibid.*, para. 53.

with a judicious blend of authoritarianism and propagation of the unitary ideology, in moulding subordinates' perceptions very differently, particularly if it can draw support from the cultural values of the local community or wider society.³³

Admittedly this passage is followed by comments in which it is suggested that the capacity of management to mould employees' perceptions in this way is in decline, but as with the 1966 paper, we can argue that this structuralist emphasis — in the sense of the playing down of the significance of influences beyond the formal rules of the enterprise — is a reflection of the industrial politics of the time rather than emerging from any determined theoretical commitment on Fox's part. It seems very clear that he took the view that the way in which individuals, whether managers or workers, interpret the world depends on both structural and agential factors. We can, therefore, argue that his emphasis on 'the structures of the situation' within the enterprise was simply an historically specific consequence of the rather more nuanced view that industrial conflict was a result of the potentially multiple contradictions between workplace roles, managerial ideologies, power relations in wider society and socio-cultural attitudes, norms and values. In short, conflict arises where there is a lack of coherence between structurally-required role behaviour and the other factors that motivate social action. We might add that in prescribing structural change as a solution to industrial conflict, Fox puts himself firmly on the side of those who object to attempts to resolve conflict by intervening in or attempting to 'manage' the social processes which exist within and beyond the 'structures of the situation'.

1.2(c) Fox's social theory reconstructed

On the basis of this brief discussion, we can reconstruct Fox's theoretical proposition as follows. There are *in principle* two ways of conceptualizing the enterprise; two logically possible starting points or ideal types for the analysis of industry which in the abstract have equal value. To put it in the simplest possible way, the enterprise is either one social group, or it is more than one. The choice of initial assumption has critically important ramifications for the design of its structures. While this choice is always available, there is at the same time an empirically existing social reality made up of attitudes, interests and power relations which has a certain autonomy from the sphere of academic discourse and which will stubbornly remain the way it is regardless of how much we may want it to be, or try to make it otherwise. If we want social structures to operate effectively it is important that in designing or redesigning them we also take this empirical reality into account.

³³ Fox 1974, pp271-2.

Fox's analysis, then, was that there was a mismatch between Britain's enterprise structures and the contemporary empirical reality. The social structures of the 1960s, which had been inherited from Britain's industrial past, were based on the assumption of a unity of interest at the level of a stratified class society in which the majority of individuals knew and accepted their place. However the deference, poverty of aspiration and powerlessness that characterized the working classes in that society had disappeared. The social roles which employees were forced to take on as a consequence of the existing modes of work organization, work rules and work practices were therefore in conflict with empirical social reality. Work was a denial rather than an affirmation of workers' true social identity — the same, of course, could be said of managers — and hence the organization of industry was preventing co-operation rather than making it possible. In order to improve co-operation and therefore economic performance, industrial structures had to be redesigned. This obviously had to begin with a sober and objective assessment of the nature of contemporary society. Such an assessment clearly suggested that society was experiencing a major clash of values. The dominance of the capital owning classes (and their agents and collaborators in management), as well as their right to claim the fruits of collective labour for themselves was being openly and consciously challenged by organized workers. The strength of this challenge was such as to render it impossible to suppress or ignore, but nor did there appear to be any possibility of a reconciliation, so diametrically opposed were the positions of the two groups. Hence the pluralist perspective was the more accurate reflection of social reality, and it was pluralism that should provide the conceptual basis for the reform of the structures of the enterprise and of industrial relations.

1.3 A BRIEF OUTLINE OF UNITARISM

Before we go on to discuss pluralism in more detail, it will be useful to give a brief characterization of unitarism, often supposed to be the traditional managerial position against which pluralism has to fight. Unitarism is at once easier and more difficult to characterize than pluralism. It is easier in the sense that it is a rather simpler, more straightforward philosophy. It is more difficult in the sense that it is rarely discussed specifically, existing mainly as a tacit assumption underpinning work whose main purpose is not to consider conceptualizations of industrial relations. In an academic sense, it represents one of the founding presuppositions of what is now the dominant approach to personnel, labour and human resource management in the anglophone world, i.e. that oriented principally towards managerial problems of control and co-ordination. While it would be interesting to trace the rise of this approach, descended in part from Mayo and the human relations school, to its contemporary dominance over the inheritors of

Kerr's economic perspective, we will have to limit ourselves to proposing a general outline of the position and some of its implications.

As we saw above, what unites the unitarist canon is precisely the opposite assumption to that which underpins pluralism: unitarism assumes at the outset that the basic collective or social unit in the economy is the enterprise. The claim that there is a workers' interest which is somehow different from or opposed to that of the enterprise is rejected. The individuals who are involved in the enterprise comprise a single social group with the common purpose of competitive success. On this basis, and on the assumption that the enterprise is situated within a liberal democracy in which economic relationships are in principle non-coercive, there are certain conclusions about the social relationships which exist within enterprises that necessarily follow. Primary among these is that the only possible justification for the existence of a managerial hierarchy, i.e. of legitimate managerial authority, is that management is a technical endeavour, the aim of which is to interpret the objective but esoteric demands of the market and translate them into the strategies and plans of the enterprise, and subsequently into the day-to-day tasks of employees. In contrast to pluralism, unitarist approaches understand the enterprise as a *technical* rather than a political arena of action. This is to say that the legitimacy of management authority is premised on the fact that managerial plans and instructions are derived from a body of objective knowledge or expertise. Whereas for pluralism, the functional effectiveness of the mode of organization (the multilateral bargain) follows from its normative validity (arising from the free agreement of all participants), for unitarism normative validity is a consequence of functional effectiveness. The assumption is that managers acting with a normal level of professionalism and responsibility will not require employees to take any actions or follow any plans which are not objectively and demonstrably necessary in the interests of the continued prosperity of the enterprise — and therefore of the continued prosperity of its employees. It follows that employees have a duty to themselves and to their co-workers to accept and co-operate with the implementation of the disinterested technical decisions of management which are made on behalf of the whole group. Although consultation with workers by management and the involvement of employees in technical decision-making is perfectly coherent with this approach, it must always be managers who take the final decision. From the unitarist perspective, the idea that workers should have some kind of political or legal *right* routinely to question or reject these decisions makes no sense. By the same token, it is legitimate for managers to attempt to win the consent of the workforce to their plans by whatever means is most effective, even if at the limit this involves using propagandistic or other manipulative techniques, which is to say the kind of intervention in the social processes which exist within and beyond the formal rules of the enterprise mentioned above. Since the success of managerial plans is *by definition* in the interest of workers — and

indeed of society as a whole — then even if their co-operation is achieved in ways to which they would not consent if given the choice, such methods are nonetheless morally acceptable if they can be justified by reference to some technical requirement of enterprise organization.

The key question that arises on the basis of this outline of unitarism is precisely the definition of a ‘technical requirement’ of enterprise organization or management. We will consider this issue once we have discussed the major British version of pluralism, that proposed by Allan Flanders.

1.4 ALLAN FLANDERS’ PLURALISM: VALUE CONFLICT, FUNCTIONAL INTERDEPENDENCE AND THE PUBLIC INTEREST

While Fox provides the theoretical overview in which unitarism and pluralism are defined in relation to each other, it is to Flanders, his Oxford University colleague and friend, that we must turn for the best-developed arguments in favour of pluralist forms of organization in the workplace. Despite the fact that Flanders was the older and earlier established of the two, we can nonetheless think of his work as an answer to a question implicit in Fox’s, that is, what are the structural forms of the enterprise appropriate to the empirical social reality of the 1960s. Although he started from the same observation of endemic industrial conflict, Flanders’ objection to plans and policies built on a unitarist interpretation of the enterprise arose not from structuralist assumptions about workers’ behaviour, but from his belief in the entitlement of workers to choose and pursue their own values rather than those of management. For him it was the *process* of bargaining, along with the dignity and status that it implied for workers, which was the most important aspect of pluralism. The *outcome* of bargaining — in the sense of enterprise structures and procedures — was not less important, but in his view it was something that could not be specified in advance, both because this would make a mockery of the bargaining process and because it was only those with intimate knowledge of a workplace who were in a position to judge what would work there and what would not. Thus Flanders did not answer Fox’s question directly, but instead tried to show how the answer could best be found. We will see, however, that there is a serious internal contradiction in Flanders’ argument. Despite his emphasis on the need for workers and managers in each workplace to negotiate an appropriate relationship for themselves, with the obvious implication that attempts to dictate the nature of that relationship from outside the enterprise are to be rejected, he nonetheless also implies the existence of a public interest standard for judging the ‘social value’ of negotiated agreements. In the context of the existence of such a transcendent standard, it becomes difficult to see how the implied argument that collective bargaining *guarantees* the best outcomes in terms of the general interest is sustainable.

1.4(a) Value conflict, functional interdependence and the nature of the enterprise

Among the British writers it was Flanders who most clearly echoed Kerr's objections to the Mayoite insistence that it was the role of management to define the good society and lead employees in the pursuit of its realisation. What he particularly objected to was

the use of power to impose values on people, for their alleged benefit, which they would not freely accept... treat[ing] workers as objects, not as persons, to be cajoled where they cannot be coerced. In depriving them of opportunities to work out their own salvation by choosing the good for themselves it is an affront to their dignity. A mere bestowing of benefits can never compensate for the insult of being treated with the contempt implicit in being thought incapable of moral choice.³⁴

Flanders' moral outrage is underpinned by a number of important theoretical and empirical presuppositions which form a common thread running through his work. The first, highly Parsonian presupposition is that it is the possession of a common value system that defines a social group. The second, clearly an inheritance from Weber, is that values are ultimately a matter of choice. It makes no sense to talk about any value having an inherent or absolute validity that can be compared to the validity of any other or measured against a common standard. Hence it is a basic principle of natural justice that the values of any group are to be accorded the same respect as those of any other. Third, the empirical fact of endemic conflict within enterprises is evidence for the existence of a clash of values. The trade union movement emerged precisely in opposition to the managerial attempt to subordinate workers' values. Flanders argued, indeed, that it was *only* through self-organization that workers could avoid having the values of management imposed upon them: "Through the informal organization of the work group, and probably through a more formal structure of shop and union organization erected upon it, the workers seek recognition of *their* values and so protect, not only their wages and working conditions, but also their own dignity."³⁵ The final presupposition, in effect a synthesis of the first three, is that the enterprise cannot be understood as being *in itself* a social unit. It is, rather, simply a 'medium' through which different groups (workers, managers, shareholders, suppliers, customers) seek to pursue their values and fulfil their economic aspirations.

This conception of the enterprise as being in itself a 'normless' social grouping implies two things. The first is that there are no common standards or objective criteria by which the proposals

³⁴ Flanders 1975, p147.

³⁵ Flanders 1975, p149.

of management or the claims of unions (or those any other group) can be assessed.^{36, 37} The second is that social integration within the enterprise is achieved on the basis of functional interdependence. If either side could attain its goals without the co-operation of the other, then enterprises simply would not exist. There are also implications for the social roles of management and unions. Rather than defining the aims of the enterprise and leading its members in their pursuit, the role of management is to weave the multiple existing threads of interest and aspiration into a coherent whole. Flanders argues that management

is confronted by a variety of groups wanting to fulfil their aspirations through the medium of the enterprise... As distinct from a purely technical co-ordination of work, the conflicting and ever-changing demands made upon the enterprise have constantly to be reconciled anew. Management alone can assume this responsibility by engaging in a ‘multilateral bargaining process’.³⁸

The unions, meanwhile, need to bear in mind that *their* ‘social purpose’ is to represent the interests of their members — of that section of society that they organize. This is not a role that can be taken on by management on behalf of the workers: “Managerial initiative, even when it is intelligent and far-sighted, is taken to suit the aims of management and these do not necessarily coincide with the aims of unions and the people they represent.”³⁹

1.4(b) Worker autonomy and managerial authority

So, the enterprise is by definition the site of value conflict. Flanders argues that there are “different standards for judging managerial decisions and behaviour” and that “[t]he clash is pre-eminently between the values of efficiency and security”.⁴⁰ However, perhaps the most important argument that he makes is that that these values are not *in practice* incompatible. The point is in fact a simple one: technically optimal work organization demands worker co-operation, but this will not be forthcoming without the recognition of workers’ aims and values by management. The empirical embodiment of this recognition is collective bargaining. However, the recognition of workers’ rights

³⁶ In this he is clearly following the Parsonian formula of “value (chosen) plus situation (given) equals action”.

³⁷ This assumption was echoed by the TUC, which in a 1966 pamphlet on productivity bargaining argued that, “In some cases, but not many, differences can be resolved by measuring [a trade union claim] against objective standards. But more frequently the claim is made and resisted on grounds which, although valid to one of the parties, are not acceptable to the other.”

³⁸ Flanders 1975, p236.

³⁹ Flanders 1975, p23.

⁴⁰ *Ibid.*, p230.

to organize and hence the existence of collective bargaining did not mean that it was appropriate for employers straightforwardly to concede whatever their workers demanded. The other participants in the enterprise were also entitled to have their interests considered; to seek recognition for *their* values. Flanders recognized that there were certain commercial imperatives of product quality, profitability etc., which it was incumbent on the enterprise to satisfy. What he did not concede, however, was that the organization of labour in pursuit of *these* aims should be the exclusive or unilateral prerogative of management. In his view it was a straightforward consequence of the recognition of the right of workers to organize that not just pay and conditions but what he calls 'managerial relations' form the subject of collective bargaining. By managerial relations he means the authority relationship that exists between manager and worker, something quite distinct from the bare contractual exchange of money for labour. Although the employee has by definition "agreed to obey certain instructions with respect to his work, to submit to some kind of discipline",⁴¹ this obviously does not give the employer *carte blanche* to demand that the employee comply with any instruction. Beyond the explicit contractual specification of the rights and duties of employee and employer, there remains to be defined the greater part of the employment relationship. As Baldamus put it,

Though [the employment contract] stipulates precise wage payments for the employer, nothing definite is ever said about effort or efficiency; nor anything about the components of effort, the acceptable intensity of impairment, the intolerable degree of tedium or weariness. Instead it merely mentions hours of work, type of job, occupational status and similar external conditions. At the most there are vague and concealed references to an implied level of effort...⁴²

So we have a classic dilemma: on the one hand, it is against all principles of democracy and legality that one party to a contract should have the unilateral power to determine most of its terms. It is simply degrading for workers to have to accept the managerial interpretation of the employment relationship. On the other hand, there has to be scope for management to exercise its technical expertise in the organization of production. Flanders' conclusion is that the exercise of managerial authority should be permissible, but only within negotiated limits. Ideally, what the unions will succeed in doing is to set those limits to coincide with, to use Kerr's terms, the minimum "essential discipline necessary for the proper working of the industrial order."⁴³ What we see here is the

⁴¹ *Ibid.*, p88.

⁴² Baldamus, quoted in Townley 1993, p524.

⁴³ Kerr 1964, p5.

fusion of contractarian political theory, which arrives in Flanders' work via T H Marshall's concept of economic rights, with Kerr's Weberian view that we need to be conscious of the price we are paying for industrialization in order that we do not pay too much. We can submit to managerial authority with no diminution of our freedom or autonomy if we are able to satisfy ourselves — that is to say, without having to take someone else's word for it — that the organization of production derives from the value-neutral "requirements of industrial technology" rather than from some other interested, value-laden or ideological motive.

1.4(c) Identifying the requirements of industrial technology through bargaining

The policy dilemma, however, was not so much how to get managers to produce competent, workable plans and strategies for industry — although this is certainly a recurrent theme in the contemporary literature — but how to get workers to "choos[e] the good for themselves" in the sense of recognizing the value of these plans and co-operating with their implementation.⁴⁴ How are workers and unions to go about discovering what the objective requirements of industrial technology are in order that they know to what they should be agreeing? Simply accepting managerial direction at face value will not do. Managers themselves constitute a social group with its own values and interests — close to, if not identical with those of the owners of capital — and hence it is to be expected that their proposals will not straightforwardly reflect the needs of the enterprise (where these needs are defined in relation to the enterprise's ability to contribute to the national or public interest). On the other hand, since managers are in principle the sole possessors of technical expertise relating to the operation of the enterprise, it might also be expected that their plans and strategies will not be wholly self-interested. So what we appear to need are either managerial plans stripped of their self-interested elements or, perhaps more realistically, with these elements balanced by the addition of concessions to workers. Since trying to implement proposals without the negotiated consent of the workforce will simply lead to damaging industrial conflict (precisely because 'unadjusted' managerial plans embody the interest of management and not workers), the obvious way to go about making the appropriate adjustments is through bargaining.

Bargaining, then, seems to involve the identification of those elements within a managerial strategy that are in some objective sense unnecessary in order that they can be either deleted or balanced by appropriate concessions. Obviously there is no point in management trying to convince workers that such-and-such a proposal is not self-interested purely by demonstrating that it will increase productivity, lead to an increase in the share price or some other such positive effect. These *market-related* criteria have no validity for workers. The only way for workers to

⁴⁴ Flanders 1975, p147.

determine what elements of a managerial proposal are necessary to maintain the viability of the enterprise is bargaining itself: the process of discovering at what point management refuses to make more concessions or further dilute their plans, even in the face of the threat of sanctions. (By the same token bargaining is also, of course, a means of distinguishing between reasonable and unreasonable trade union demands.) The implication of Flanders' position, then, is that it is the negotiating behaviour of management rather than the substantive logic of its plans that indicates to workers and unions what managerial proposals they ought to accept. They can agree without having accepted the validity of management's reasoning. Hence, at least in principle, collective bargaining enables workers to choose the good for themselves, resolving the contradiction between the need for employees to agree to managerial *plans* (in order that co-operation will follow), and the workers' right to refrain from a moral identification with managerial *values*.

1.4(d) Negotiated solutions and the standard of the public interest

Flanders' characterization of the enterprise, then, is of a social situation in which normative conflict and empirical mutual need must co-exist. He argues that this can only occur successfully where relationships between social groups are bargained. This was a very common view. The International Labour Office [ILO], for example, argued in 1960 that bargaining involves trying to "reach agreement on wages and other conditions of employment about which the parties *begin with divergent viewpoints* but try to reach a *compromise*".⁴⁵ No-one expects this compromise to represent an unmitigated gain for any side. There will naturally also be costs involved, and it is only the members of the various groups involved in bargaining who are in a position to judge whether the trade-off between costs and benefits makes any given compromise worthwhile for them. Flanders was strongly of the view, however, that even though it is only the parties themselves who can decide whether or not to strike a deal, not just any agreement is a good one. The conception of bargaining he was opposing was that of Beatrice and Sidney Webb:

Insofar as the issue is left to collective bargaining there is not even any issue of principle involved... The plenipotentiaries [of either side] must higggle and cast about to find acceptable alternatives, seeking, like ambassadors in international conference, not to ascertain what are the facts, nor yet what is a just decision according to some ethical standard or view of social expediency, but to find a common basis on which each side can bring itself to agree to, rather than go to war.⁴⁶

⁴⁵ ILO 1960, p5; emphasis added.

⁴⁶ Quoted in Flanders 1975, p226.

For the Webbs, any compromise which brought an end to hostilities was a good one, but Flanders makes it clear that an agreement can be a bad one even when it has the genuine, freely given assent of all sides. Logically, then, there is a need for some transcendent standard by which negotiated compromises can be judged. As Hyman points out, pluralism involves the assumption that “there exists a public interest common to all groups and classes in the society”.⁴⁷ It is according to their contribution to this public or national interest that agreements can be measured.

However, to quote Hyman again, the concept of the public interest is usually used “without the slightest indication of the conceptual and theoretical difficulties entailed”,⁴⁸ and indeed within the pluralist canon there is a great deal of confusion about what it actually means. In the abstract there are two possibilities. First, it could be argued that the public interest is served when “management and work-group interests [are reconciled] at a higher level of mutual advantage”.⁴⁹ We might call this a *plural* conception of the public interest — something related, perhaps, to the utilitarian principle of the greatest happiness of the greatest number. On the basis of this conception, improved co-operation in the workplace is in the public interest because the greater the degree and quality of co-operation which exists between groups, the better will the *separate* aims of each be achieved. The crucial implication of this way of thinking is that both the costs and gains of co-operation should be shared equally between all the groups involved in the enterprise.⁵⁰

The second possible conceptualization of the public interest is as something *unitary* that cannot be reduced to components of interest accruing to distinct social groups — something very like Rousseau’s ‘general will’. What constitutes the public interest obviously cannot be judged from within the perspective of one group or another. Rather it requires the adoption of a transcendent perspective in which sectional interests dissolve in the face either of *norms with universal validity* or of *empirically effective technical solutions*. In the first case, there is a recognition that whatever the

⁴⁷ Hyman 1989, p62.

⁴⁸ Hyman 1989, p62.

⁴⁹ Fox 1966, para 40.

⁵⁰ Flanders argued, for example, that what was often forgotten in the clamour for less obstructive trade unions was that it was not just workers who needed to adopt a more co-operative stance if the performance of industry was to be improved. Drawing on the work of Neil Chamberlain, another American economist, he concluded that if an employer granted material concessions to workers — “greater perhaps than it considers ‘fair’ or ‘just’ and despite the fact that those concessions may be unnecessary as a matter of formal authority” (Flanders 1975, p125) — it would actually get closer to achieving their aims than if they attempt to impose some plan of action, even one which to them appears to bring benefits to their employees. While he would have emphasized that this was in no sense the employees’ fault or the fault of their unions, Flanders’ opinion was that workers in the UK had for some time been making material gains from bargaining which were disproportionate to the benefit accruing to the enterprise. Hence British managers were guilty of abnegating their responsibility to promote the public interest, because they had not had the imagination to take the initiative in offering worthwhile but affordable concessions to workers in the context of seeking agreement to plans for change and updating in industry.

particular values and interests of each group involved in bargaining, there are social or ethical norms which have a greater weight by virtue of the fact that their validity is widely accepted. Courses of action which conflict with these norms, even where they would otherwise be acceptable to all direct participants, are therefore ruled out because they would ultimately be damaging to society *as a whole*. In the second case, a divergence of interests is recognized as being temporary or as ultimately of little substance because of the overwhelming technical superiority of the course of action which in the short term will disadvantage one group or another. With reference to this latter conception of transcendence, we have already mentioned Clark Kerr's view that productive efficiency implies certain forms of social organization which we would not choose were it not for the material benefits they bring. He argues that we can minimize the costs arising from industrialization by an objective-technical appraisal of the organization of work. As he put it, "the essential discipline necessary for the working of the industrial order" can be distinguished from other, technically unnecessary pressures for social conformity by reference to "the requirements of industrial technology".⁵¹

It can be very difficult to distinguish between plural and unitary conceptions of the public interests, especially where there is a high degree of co-operation between groups. To argue, for example, that a general improvement in the competitiveness of enterprises is in the public interest would be defensible under either conception. However, there is a crucial difference that makes it important to try to achieve clarity about the conceptual basis of policies. In contrast to the plural conception of the public interest, the unitary conception carries no implication that effort and reward need to be shared equally. Since the benefit is general, all involved are obliged to do whatever is required to realise that benefit. In organizing the collective effort, the focus must be on maximizing the possibility that the common purpose will be achieved and hence what is sought is a technically effective rather than an equitable division of labour. Indeed, the very notion of equity is not one that makes much sense.

To be consistent with his characterization of the enterprise, Flanders should in principle adopt an exclusively pluralist conception of the public interest. However on important occasions he strays into both the 'normativist' and the 'technicist' unitary conception. At times, beyond the idea that the rewards of capitalism should be distributed fairly and his more general insistence on the equivalence of management and worker values, he seems most keen to emphasize the intrinsic moral superiority of collective bargaining over management unilateralism. Indeed it is arguably a commitment to this moral superiority that is at the root of his work. Through their self-organization, he argues, workers seek to advance their "non-material interests in order and equity, in security and status, and generally in diminishing a degrading dependence on market forces and

⁵¹ See note 20.

arbitrary treatment”.⁵² Despite the fact that it is only workers who mobilise to achieve these ends, it would be difficult to argue that order, equity, and the absence of degradation are not in the *general* interest. At other times, particularly when talking about the role of management, he seems to echo Kerr in assuming that the task of management is essentially a technical one, albeit with elements of the political. While the co-ordination of work is not “purely technical”, it is nonetheless the sole responsibility of management to “co-ordinate the bargains of all who comprise the business” in such a way that all parties agree to a set of plans that will maintain and improve the viability of the enterprise. Hence Flanders sometimes appears to concede that, in the final analysis, it is enterprise performance which supplies the measure of the public interest.

There is an obvious tension within Flanders’ work, then, not just between the plural and unitary conceptions of the public interest, but also, within the latter conception, between the *normative* standard for the measurement of the extent to which the public interest is served — fair distribution of wealth, improved order and equity, the diminution of degradation — and the *technical* standard of enterprise viability, with the general economic well-being that arises from it. If, rather than attempting to defuse this tension we accept that it is a reflection of the situations Flanders is trying to conceptualize, we can argue the following. The main implication is that the public interest is something composite, made up of socio-political (normative) and economic (technical) components. Each component has a different ‘carrier’ group in society, which is excluded from participation in the definition of the component that ‘belongs’ to the other group. Clearly, consistently to privilege one component/group over the other would be damaging. Indeed, the achievement of an appropriate balance between the two is precisely what represents the unitary public interest. It is important, therefore, that the institutional framework of industrial relations be such as to allow each carrier group the same opportunity to articulate and press home its position in bargaining.

However — and this is what makes the public interest unitary or general — this appropriate balance in terms of the public interest is not necessarily what will emerge from bargaining, even where this is conducted on the basis of balanced positions of power. Despite what each carrier group will naturally think, it may on occasion be in the public interest that either the socio-political or economic component be given priority. At any given time, then, the ideal balance between the components of the public interest may not reflect the empirical bargaining strength of their carrier groups. It is very clearly Flanders’ view that on these occasions, the side that stands to lose out in the short term ought nonetheless to recognize and accept what is necessary.

⁵² Flanders 1975, p229-30.

The problem is that he never makes it clear on what basis this recognition ought to occur. As we have just seen, the logic of his position strongly suggests that each side in bargaining can and should only judge the public interest ‘imperativity’ of some claim or proposal on the basis of the bargaining behaviour of the side putting it forward.⁵³ However it is also obvious both from his commitment to certain normative absolutes — most notably the right of workers to organize — and his belief in the possibility of technically efficacious management that Flanders believes that at least some aspects of the (transcendent, unitary) public interest can be apprehended via non-bargained discursive processes, whether dialogue about the validity of norms or discussion of the efficacy of different modes of organization from a technical perspective.

It is not clear whether Flanders’ conflation of the various possible conceptions of the public interest reflects a lack of clarity in the industrial relations practice of the 1960s, or whether that lack of clarity was due to his and his academic colleagues’ inability to settle on an unambiguous conceptualization. In any case, pluralism on the Donovan/Flanders model can in principle be used to defend *either* of the two conflicting policy solutions to the problem of bargaining outcomes damaging to the public interest that appeared in practice.

1.5 DEFINING THE PUBLIC INTEREST: ECONOMICS, POLITICS AND INDUSTRIAL RELATIONS POLICY

1.5(a) Identifying the public interest through bargaining: institutionalist IR policy

By painting the economic dimension of enterprise decision-making as a combination of technical management and the aims and values of capital, pluralism excludes the possibility that workers or trade unions can participate in such decision-making as ‘insiders’. Similarly, the socio-political dimension is the exclusive preserve of workers and their organizations. On this basis, we can argue that since neither side is in a position to question the basis on which the other comes to its view of what is important in its own domain, any settlement which is eventually reached will be the direct result of the bargaining behaviour of each side rather than any more substantive agreement. But bargaining behaviour reflects not just the urgency of a particular socio-political or economic imperative (regardless of whether this is understood as in some sense objective or merely as a perception), but the contingent empirical bargaining strength of the group in question, as well as the motivation, attitudes, competence and democratic accountability of its representatives. Neither the balance of power between the parties nor their good faith, nor their ability to understand and operate the bargaining machinery can be taken for granted.

⁵³ We would suggest that this is more a consequence of the belief that socio-political imperativity is reflected in the degree of worker self-organization than of a more ‘neutral’ theoretical overview. There was a widespread belief within the trade union movement that the workers were *entitled* to whatever they were in a position to demand on the basis of the level of mobilisation of the working class.

There are two pluralist tactics in the face of these problems. The first is simply to assume away the possibility of greed, political motivation or plain stupidity among the parties. Pluralist industrial relations is founded on the presumption of good faith and respect for the competence of the other side. The second, related tactic is instead to blame conflict on a range of rather more tractable institutional factors related to the possibility that bargaining behaviour reflect the ‘true’ or ‘objective’ economic or socio-political urgency of the claims and proposals of each side. On one possible reading of Flanders’ position, the assumption is that in circumstances where there is a ‘correct’ balance of power between labour and capital, where both managers and union officers are technically competent, and where they are properly apprised of and committed to their true function, then whatever agreement is possible is the right agreement. It will *by definition* both maintain the viability of the enterprise and distribute the rewards of enterprise action fairly. This rather Hegelian view implies that if there is industrial conflict or economic crisis (or indeed both), then it is likely to be due to one or both of two problems. It may be the case that, due to some defect in the institutional structures of industrial relations that means that one side is not in a position to ‘punch its weight’ in negotiation, agreements are being struck under duress or are otherwise not representative of the true interests of both parties. Hence either the workers will feel hard done by, performance will decline, and the potential for conflict will increase; or managers will not be able to make the changes needed adequately to conform with the imperatives of the market, again giving rise to a decline in performance. Alternatively, the participants in industrial relations may be working with a sociologically incorrect understanding of their role. In Fox’s 1966 paper, for example, substantial space is devoted to explaining how industrial conflict can arise as a consequence of management’s misunderstanding the political nature of its role. Similarly, Flanders repeatedly emphasizes that it is no part of the union’s ‘social purpose’ to seek improvements in productivity.⁵⁴

Hence the classic concerns of institutionalist IR policy are indicated: the scope, coverage and level of collective bargaining; union recognition; the relationship between social and legal rights; the organizational structure of trade unions and employers associations; the training of the participants in bargaining; the rights and duties of union members; the right to strike and lockout; the relationship between collective agreements and individual employment contracts; etc..

⁵⁴ See, for example, Flanders 1975, p19.

1.5(b) Constraining bargaining on the basis of a transcendent unitary public interest: ‘fault-driven’ IR policy

It was obviously the intention of Flanders and his colleagues that their analysis of the industrial relations system provide theoretical support for the institutionally-oriented policy approach. The report of the Donovan Commission provides perhaps the clearest example of this reasoning. However, the ambiguity of the pluralist conceptualization of the public interest means that it is possible to maintain what appears to be a pluralist line while turning away from institutionalist solutions back towards the stigmatisation of one or other of the parties to bargaining on the basis of their *culpable* failure to recognize or respect the transcendent unitary public interest.

As we have just seen, there is a possible reading of pluralism in which what we might call the epistemological status of the public interest is rather different. The assumption here is that it can be defined or identified in isolation from bargaining. The frequent resort throughout the 1960s and 1970s to the opinion of independent experts in setting the general economic parameters for pay settlements or in defining best practice in management and industrial relations bears witness to the currency of this reading. Leaving aside for the moment the issue of exactly how the transcendent unitary public interest comes to be defined, we can argue that this understanding of pluralism implies one of two things for bargaining. Either negotiators should define their aims without reference to the public interest and then bargain in readiness to recognize where the public interest is reflected in the positions adopted by the other side, exercising restraint accordingly; or they should define their aims in the light of the public interest, proceeding to negotiate without restraint. The weight of evidence, most notably his emphasis on institutional design and the education of participants as to their sociologically correct function, suggests that Flanders intended the latter position. Nonetheless, the former is at least as defensible an inference from this reading of the pluralist case. Either way, collective bargaining is not ‘free’. The range of acceptable settlements is not limited only by what each side is prepared to accept, but also by a pre-given definition of the public interest.⁵⁵

As long as the public interest can be clearly identified, it is a simple step to argue that those who consistently fail to respect the constraints it supplies should have some action taken against them. Hence we have what we can call ‘fault-driven’ industrial relations policy, that is, policy aiming to remedy a perceived failing on the part of one or other of the parties to IR rather than to address some common institutional or structural problem. The most obvious examples of this are the various attempts at the legislative restriction of the prerogatives of the trade unions,

⁵⁵ For example, as Gourevitch et al (1984) suggest, the TUC tacitly conceded the point that full employment and free collective bargaining might contain a built-in inflationary tendency. This was, however, accompanied by assurances that the unions would proving willing to ensure that wage settlements were moderate (p21).

from *In Place of Strife* onwards, but we could also include in this category the joint policies of the Labour Party and the TUC with respect to economic planning and industrial democracy which emerged in the late 1970s and early 1980s.⁵⁶ These latter policies were designed to restrict managerial freedom to take decisions, particularly in the areas of capital investment and employment, on the grounds that managers were paying insufficient heed to the social implications of their actions.

1.5(c) Defining the public interest in practice

The outstanding question, of course, is how the public interest comes to be defined. As we have already suggested, the idea that its separate economic and socio-political components are articulated exclusively by different carrier groups rules out the possibility in principle of any kind of informed dialogue on or deliberation about the issue between these groups, whether normative or technical. There is a need, then, for arbitration either by government or by experts who are not associated with any particular group. The former has not been the preferred solution in the UK since the major parties have historically been aligned with the carrier groups, which is to say capital and labour. On the other hand, governments have frequently claimed that their definition of the public interest is to be trusted because it is based on the opinion of supposedly impartial experts. This was a tactic particularly favoured by the Conservative Party from the mid-1970s on when there was a need to cite authorities in opposition to the sociologically-rooted discipline of industrial relations which had up to then provided most of the academic support for public policy. The Conservatives' favoured experts were drawn almost exclusively from the discipline of economics.⁵⁷

(i) *The sociological opinion: two-dimensional optimality*

The orthodox view among academic specialists in industrial relations was that, regardless of the normative arguments, the political and economic strength of the trade union movement and the wide extent to which the aims and values it pursued were recognized as valid among workers, meant that neither the suppression nor the manipulation of workers was possible in practice. In the absence of pluralism, industrial relations would quite simply be plagued by unavoidable and irresolvable conflict. The principal argument in favour of pluralist industrial relations as against management unilateralism, then, was that it permitted a more technically effective organization of work — at worst the avoidance of conflict, and at best the development of co-operative modes of

⁵⁶ See particularly TUC-Labour Party 1982.

⁵⁷ The terms 'economic' and 'sociological' are used here in their conventional senses and not following Kerr's distinction which we discussed above.

working. The crucial premise of this argument is that workers will never willingly accept managerial aims and values; or at least, that the privileging of managerial aims and values within the enterprise will cause such disruption that it is counterproductive. This is principally an empirical observation, but it also has some theoretical foundation. Empirically, workers engage in conflict with management — in practice they *do* resist managerial aims and values. Theoretically, the case is not so straightforward. Flanders' principal argument is that management generally acts (or attempts to act) unilaterally, that is, it issues instructions which cannot be derived from a framework of regulation agreed through collective bargaining. This amounts to an imposition of managerial aims and values on workers, a denial of their freedom and autonomy that will obviously be met with resistance. The problem with this argument is that it is not in fact clear that the aims and values of workers and employers are *necessarily* incompatible. As we will see in Chapter 2, the belief that this was not the case, and that even workers could be so convinced, was of considerable importance in the undermining of the pluralist consensus from the mid-1970s on.

In any case, pluralist industrial relations takes it as axiomatic that workers are a social group separate from those members of the enterprise whose role it is to take decisions. The members of the enterprise are not united by their adherence to the goal of competitive success and it cannot be assumed that this is what motivates their participation. In fact, it is assumed that employees will reject the goal of competitive success since in most cases they have no objective interest in its achievement. Managers must therefore treat the aims and values of employees as part of the pre-given *context* for decision-making, not as rogue elements within the collective *actor* (the enterprise) that need to be controlled or suppressed. Certainly, enterprise decision-making could in principle proceed on the basis of market-related criteria and nothing more, but the implementation of such decisions would, sooner or later, be likely to be disrupted by a kind of inertia or friction — an absence of co-operation from those groups on whose aims and interests the impact of implementing these supposedly optimal decisions has not been considered. From the perspective of the functionalist sociology that was at the root of pluralism, then, the optimisation of organizational governance in the sense of maximizing the advantage to all groups involved in the enterprise depends on the *joint* optimisation of decision-making along both an economic dimension and the socio-political dimension of workers' interests.

(ii) *The economic opinion: one-dimensional optimality*

Economists, on the other hand, have a tendency to treat enterprises as unitary actors. The web of relationships from which the enterprise is formed is not in itself usually considered to be an element of the action situation. Instead, the members of the enterprise are conceptualized as a single collective actor which aims to respond to that situation, adapting its behaviour to the

demands of the economic environment. Since the aims and values of the enterprise considered as a collective unit are ultimately derived from the fundamental goal of competitive success, the validity of norms of action — by which we mean in particular the range of managerial plans and instructions with which workers are obliged to comply — depends on the effectiveness or optimality of those norms as a means to that end. Consensus and solidarity within the enterprise is assumed, and decision-making focuses instead on external factors. This implies that if management decision-making is effective solely with respect to the imperatives of the market then worker co-operation should follow. If it does not, then the problem is with the organization, not with the decision. The optimisation of organizational governance is therefore assumed to be relative to a single economic dimension.

1.5(d) Fault-driven IR policy and the instability of the pragmatic case for pluralism

The pluralist consensus in the UK which reached its apogee with the Donovan Commission involved an industrial relations policy which was principally institutionalist but which had a fault-driven undercurrent or ‘backstop’. Flanders’ phrase about workers ‘choosing the good for themselves’ captures perfectly how the system seems to have been understood. Ideally, the representatives of workers and employers would come up with the (public) goods spontaneously, but it was obvious that in many cases this did not occur. Regardless of whether this failure was deemed to be the result of institutional inadequacy or the fault of one of the parties, to talk of failure at all required the possession of a concept of the public interest that existed prior to bargaining and against which bargaining outcomes were judged. Certainly, when these outcomes were found wanting, institutional reform was the policy solution of first resort, but the more that attempts at such reform failed to remedy the situation, the more defensible it seemed to blame one of the parties for the inadequacy of the agreements that were being struck.

However, in the context of a ‘fault-driven’ industrial relations policy, where the key issue is obviously the definition of the public interest, the pragmatic pluralist arguments we outlined above are circular. They do not permit any solution to the problem of how to define the limits to which collective bargaining must be subject because they can only point to bargaining as a means of identifying those limits. Because the socio-political and economic dimensions of decision-making are defined as separate and incommensurable it is impossible to provide theoretical support either for the contention that the (economic) viability of the enterprise is compatible with satisfactory outcomes in terms of the pursuit of the (socio-political) aims and interests of workers, or indeed for the contrary. All that can be said of any particular set of arrangements for pay, conditions or work organization is that it is likely to have such-and-such an economic outcome, or, separately, that it is likely to prompt such-and-such a reaction from workers and their

organizations. What neither unions, managers nor anyone else can say *a priori* is whether and/or when satisfactory business economics and workers' interests coincide. This can only be determined by negotiation. The theoretical underpinnings of pluralism provide no way for the relative weights of socio-political and economic imperatives as components of the public interest to be measured.

Certainly, the argument that it is possible to find bargained solutions that are coherent with the public interest can be supported empirically. One might make reference, for example, to the conventional understanding of what constitutes a fair deal for employees and to historical evidence about union behaviour or economic performance. There are circumstances in which this kind of empirical argument will appear highly plausible. Nonetheless, there are also circumstances in which it will not. For example, in the face of economic crisis accompanied by high levels of industrial conflict despite very high union density, favourable legislative treatment of employees and the participation of trade unions in industrial, economic and social policy-making on the national level, it is likely to be difficult to defend proposals for reform which envisage an extension of the scope of bargained decision-making.⁵⁸

The problem of how to defend collective bargaining in the face of empirical evidence that it is failing to promote the public interest is compounded by another idea implicit in pluralism, which seems to be rooted in Parsons' theories of social action. Parsons' formula for social action was that it is the pursuit of an actor's values (chosen, normative) in the context of an action situation (given, objective) that add up to action. The principal element of the trade union action situation is employer action.⁵⁹ The principal element of the employer action situation, however, is the market. It can therefore be argued that even though employer aims and values in themselves have no claim to priority over the aims and values of workers, their actions — the proposals that end up on the bargaining table — reflect the state of the market. On this basis, to recognize that enterprise 'viability' depends on a degree of conformity with market imperatives, something the TUC in particular has always been quite happy to concede, but to refuse on principle to take a view on or discuss what those imperatives might be or what they might mean in terms of enterprise action is to leave no room for argument in the face of employer insistence that a particular proposal is essential to viability. Employers can plausibly claim simply to be

⁵⁸ We are of course referring here to the reaction to the proposals of the Bullock Committee which reported in 1977 (Committee of Inquiry into Industrial Democracy 1977).

⁵⁹ This is made particularly clear in the discussion of productivity bargaining. The TUC, like Flanders, never lost an opportunity to repeat that it was exclusively the management role to initiate discussion and to make proposals for change. TUC 1966a, 1967, 1971b. Flanders himself put the point very clearly, arguing that "the experience to which stewards and unions members are reacting in the workplace is shaped, not by the unions, but by managements, their decisions or lack of them." Flanders 1975, p122.

transmitting market imperatives via their proposals rather than pursuing a wholly non-generalizable interest.

It might be responded that the unions could claim to represent an immovable object in the face of the market's irresistible force. From the institutionalist perspective it makes perfect sense to argue that a socio-political goal is imperative to the degree that those who support it can make it so via their own mobilisation. The strength of the trade union movement, together with its democratic credentials, is in itself a measure of the 'imperativity' of its demands; of their importance as elements of the public interest. However if it is at the same time assumed that employers are not entirely free to choose to accept whatever constraints on their freedom of action arise from the need to reach agreement with unions, in other words if there is any perceived discrepancy between the ability of the two sides to choose their plans of action, then union strength can be painted not as a measure of the socio-political importance of its goals, but as an imbalance that needs to be corrected. Ironically, the democratic credentials of the union movement are to its disadvantage in this respect. Trade unions who wish to maintain that their role is to articulate a socio-political interest as against an economic one cannot argue that their actions (opposing employers) are a reaction to objective forces that exist beyond the confines of the movement.⁶⁰ The only force involved is the organized membership. Hence it *chooses* to oppose; and what is chosen can clearly also *not* be chosen.

What this all points to is that where institutionalist and fault-driven IR policies co-exist, where it is universally conceded that the parameters for enterprise action are ultimately limited by market imperatives and where a stable co-existence between unions and employers cannot be established, there is a case to be made that the economic interests must take priority. Perhaps the only certainty in industrial organization in the context of a market economy is that enterprises must remain within certain financial and product-related parameters which are not within the control of management. Exactly what these are, and to what degree they must be respected are different questions. Nonetheless, the obvious diagnosis in the case of an enterprise that is failing is that it is not respecting the relevant market parameters. By insisting that it is not the role of trade unions to engage in discussion about whether or where the enterprise is failing, pluralist industrial relations on Flanders' model leaves it open to management both to blame the failure on trade union opposition to their plans, and to argue that this opposition is unnecessary, i.e. that the unions are perfectly capable of choosing not to oppose. If they do not choose to co-operate, then there is no policy left but to oblige them to do so.

⁶⁰ That is, unless they wanted to propose some complex parsonian systems theory!

1.6 CONCLUSIONS: THE THEORETICAL LEGACY OF FOX AND FLANDERS

It would of course be wholly wrong to dismiss Flanders as an apologist for management. Quite the contrary. His powerful defence of the right of workers to oppose management decisions for reasons which had nothing to do with enterprise performance is a testament to his views. He was perfectly aware that British managers were culturally ill-equipped to deal with a co-operative stance from workers, having a distinct tendency to exploit unilateral concessions. It was therefore crucial that it be firmly established that the rights of workers were absolute; to be respected regardless of commercial considerations. However, he was also aware that the technical aspects of management were under-appreciated, that it was a job that in Britain was rarely done well and that, if British industry was to be able to make its way in the world even in the medium term, it was urgent that the performance of enterprises be improved. He was caught, then, in a dilemma that he did not have the theoretical resources to resolve. The core of his argument is that management and workers are separate social groups with (by definition) different and incompatible sets of aims and values. This is the basis both of his defence of the workers' absolute right to oppose management, and of his defence of the pursuit of managerial values as legitimate and worthy of respect. However, because it is obvious that not just any agreement between management and workers will do, he is forced on the one hand to qualify the 'absoluteness' of the workers' right to oppose by reference to a transcendent, universal technical standard for enterprise action — the 'good' that workers must choose for themselves — and on the other to recognize that certain of the values that underpin trade unionism must always take precedence over the pursuit of profit. He is, in short, unable to resolve the contradiction between technical and normative reasons for action in the context of the enterprise. His work ultimately provides little intellectual ammunition for the defence of the workers' right to oppose their employers in the face of the demand that managers be free to organize production exactly as they see fit.

While Fox for his part did not seem to recognize the theoretical inadequacy of pluralism in this sense, in the years after the Donovan Commission he nonetheless came to the view that pluralist industrial relations policies were unlikely to lead to any significant change in the relationship between workers and employers precisely because they depended on the recognition of the validity of managerial values by workers and unions. Ultimately, unions were obliged to defer to management at a point of management's choosing. Pluralism, he argued in *Beyond Contract*, is inherently limiting of the ambitions of the labour movement because it depends on defining "the union's acceptability as lying within lower and upper limits of militancy and aspiration towards encroachment on management prerogative".⁶¹ Although his analysis of social

⁶¹ Fox 1974, p303.

action in the industrial context had not changed in its essentials since 1966, he had concluded that traditional collective bargaining was little more than a panacea that did nothing to address the true disadvantage of workers within the employment relationship. He has both action-level and structural reasons for this argument. First of all, workers were *not* equal partners in industry: the “negotiation of order within the enterprise takes place only at the margins. Management and the employee interests do not jointly build up their collaborative structure from the ground floor up. Power and social conditioning cause the employee interests to accept management’s shaping of the main structure long before they reach the negotiating table.”⁶² Hence the interpretation of the world which workers bring to the workplace legitimises most managerial prerogatives, at least to the extent that these are passively accepted. Involvement in collective bargaining further legitimises these prerogatives by giving them the appearance of worker agreement.⁶³ Second, on the structural level, collective bargaining involved both employees and managers in the ‘spinning of webs of discretion-reducing rules’, and could therefore only exacerbate the low-trust dynamic by which jobs would become ever more carefully specified, the life of the employee ever less creative and the task of management ever more difficult.⁶⁴ In short, the established (so-called) pluralist solutions to industrial conflict were not in fact coherent with pluralism in the sense of an interpretation of social reality.

Fox’s revised diagnosis of the times was that workers were in fact increasingly aware of this; aware, that is, that *both* unitarism and pluralism were ideological interpretations of the world. As a consequence, rather than interpreting their situation within the structures of the enterprise from the perspective of a pre-given frame of reference, they were basing their frame of reference on an interpretation of their structural situation. This situation was such that neither pluralism nor unitarism were adequate to its explanation. Workers were instead looking at the world through a ‘radical’ frame of reference from the perspective of which their exploitation was recognized and managerial authority was not and could not be legitimised. Industrial relations,

⁶² *Ibid.*, p286.

⁶³ In fact Fox suggests that viewed from within a Parsonian theoretical framework, collective bargaining could be understood as an “integrative subsystem which acts as one of the self-equilibrating mechanisms ensuring the survival and adaptation of the total system” (1974, p282). While he is very much opposed to this kind of structural functionalist sociology, he is at one with Habermas in recognizing that there is analytic value in the parsonian approach. He was also, incidentally, one of the few British industrial relations academics who were aware of the powerful influence of Parsons’ work on American research in the field.

⁶⁴ Fox argued that the main prescription of the Donovan Commission, the formalization of collective bargaining, would involve “the mutual expectations of the parties become increasingly specified... Here is the low-trust dynamic at work which impels both parties to seek to bind each other ever more tightly within prescriptive rules, thereby raising the cost of organizational adaptation to a changing environment by requiring increased managerial input of analytical planning, and negotiating skill, energy and time — resources which may or may not be in sufficient supply”. Fox 1974, p332.

therefore, could in many cases be characterized as the ‘continuous challenge’ of employers by workers.⁶⁵

There are two strands of argument that arise from Fox’s work which we want to develop. The first, which we have already mentioned, is the need for coherence between action-level (normative) and structural motivations for action. The second, something which is implied in Fox’s recognition that the structurally-required role behaviour of workers can ‘drive out’ pre-given interpretations of the employment situation, is that social action is a consequence of either action-level *or* structural *or* both types of motivation, and that the weight of each element can vary.

We can relate Fox’s theoretical framework and the questions to which it gives rise to the contradiction which Flanders fails to resolve by equating the idea of technical necessity (i.e. of certain modes of the organization of production) with the obligation to behave in a certain way that workers experience as a consequence of the ‘structures of the situation’. To resolve the contradiction between technical and normative reasons for action in the workplace, then, would be precisely to ensure that action-level and structural motivation were coherent. It would be to understand enterprise action and the employment relationships from which it is constructed as an integrated whole, not a compromise between the interests of separate groups.

Whether we can finally resolve Flanders’ contradiction should become apparent as we develop the arguments arising from Fox’s work. Before we go on to do that, however, we will need to examine how these kinds of argument have unfolded in practice in the policy debate on industrial relations over the years since the Donovan Commission. In the next two chapters, we will see that the unresolved contradiction between the structural and the normative has been manifest in the policy argument in two principal ways. First of all, it has enabled the opponents of trade union organization to construct a strong case in favour of unilateralist management. Second, it has prevented the unions from pursuing the logic of their recognition of a unitary social interest to its ultimate end, which is to say the right of employees to participate in enterprise decision-making on the basis of non-bargained, dialogical or deliberative forms of codetermination.

⁶⁵ It is no more than a minor quibble to point out that the radical frame of reference is in fact a variant of pluralism. Fox’s dualism is an exhaustive classification — either the enterprise is one social group or it is not — and hence variations from the accepted patterns of interpretation and their associated policy positions must nonetheless logically fall into one camp or the other.

Chapter 2 The end of pluralist public policy

In this chapter and the next we turn back to the historical debate in order to try to trace the development of certain patterns of argument in the policy positions adopted by the parties to industrial relations in the UK in the 1970s, 1980s and 1990s.

2.1 DONOVAN AND AFTER: BRITISH INDUSTRIAL RELATIONS IN THE 1970S

Both the Trades Union Congress (TUC) and the main employers' representative body the Confederation of British Industry (CBI) were broadly supportive of the Donovan Commission's proposals. The Commission had envisaged a situation in which procedurally formalized and sophisticated bargaining covering a wide range of issues would be the norm. Its view was essentially that there was nothing wrong with the industrial relations system that a firmer grasp by management of the realities of the situation and a greater willingness to fight its corner could not cure. Its prescription for both inflation and productivity problems was the extension and formalization of bargaining at workplace level, particularly productivity bargaining, and an upgrading of the status of and attention paid to labour management issues by management.¹

The idea was that the extension of procedurally formal collective bargaining to all areas of the economy would ensure that there was at least the possibility of exercising rational control over pay bargaining. An incomes policy *would* cure inflation; it was simply a matter of making the policy stick.² The more workers who were covered by comprehensive collective agreements and the better organized they were, the more likely any incomes policy was to work in practice. The widespread use of productivity bargaining would link the control of inflation to the modernisation of industry. Exchanging increases in pay for changes in working practices which would increase productivity or otherwise improve efficiency would be both beneficial in itself in terms of the modernisation of industry and considerably less likely to have inflationary effects than bargaining for pay based purely on comparability or the cost of living.

Thus the industrial relations agenda for the 1970s was clear: more and better collective bargaining would not only guarantee the co-operation of workers with the changes enterprises had to make to deal with rapidly changing market circumstances, but would also accommodate their legitimate desire to have more of a say in the decisions that affected them. Further, the improved competitiveness of business and industry would mean that the pay rises which accompanied productivity bargaining would not be inflationary.

¹ Royal Commission on Trade Unions and Employers' Associations 1968, paragraphs 318-329.

² *Ibid.*, paragraph 211.

2.1(a) Distractions from Donovan: *In Place of Strife* and the Industrial Relations Act

Although the Donovan report was generally well-received, in Government there was little faith in perhaps the most fundamental assumption of the analysis, i.e. that trade unions would be able to deliver an increased level of co-operation with management. The view in the Labour administration was that there was in fact no option but to depart from voluntarism and adopt a more interventionist role.³ Control of inflation through a voluntary incomes policy was the Government's priority and in the absence of an authoritative trade union federation to police wage deals it looked like the only way to achieve this was to restrict the ability of local negotiators to get employers to concede inflationary pay rises.⁴ Legislation to limit both the incidence and effect of localised 'unconstitutional' industrial action (action in breach of existing agreements or established procedures) and inter-union disputes was proposed in a white paper, *In Place of Strife*.

The bitter arguments within the Labour movement that were to follow during the remainder of the Government's term and the tenure of the Conservative administration which succeeded it in 1970 pushed the involvement of employees and unions in managerial decision-making off the national agenda for a good five years. The TUC was resolutely opposed to the proposals in the white paper and eventually won the more or less complete capitulation of the Government in return for little more than a promise to make itself more authoritative on issues of demarcation disputes and unofficial or unconstitutional action, a promise it was arguably not in a position to keep. The Conservative Party was able to make sufficient political capital out of this surrender to swing the 1970 general election on a platform of trade union reform. That reform, in the shape of the 1971 Industrial Relations Act, was certainly radical, but ultimately was defeated as comprehensively as *In Place of Strife*. The details of what Davies and Freedland called 'the failed revolution' and the relationship between the unions and the Heath Government need not delay us here beyond noting that, amongst other things, it involved what were by today's standards very modest restrictions on the taking of industrial action and some legal control over the organization of bargaining.

As Gourevitch *et al* argue, the effect on trade union thinking of the two attempts to support the modernisation of British industry through legislative restriction of organized labour was simply to confirm the suspicion of the Conservatives and to stimulate an intent among those unions affiliated to the Labour Party — almost all of the TUC's largest affiliates — to take a

³ See Davies and Freedland 1993, p270-1.

⁴ The TUC is, like its Irish counterpart, a consensual rather than an authoritative federation. While it has limited powers to discipline affiliates its authority is little more than moral.

closer interest in Labour party policy making, something which up to end of the 1960s had traditionally been left to the ‘political wing’ of the labour movement to determine for itself.⁵

2.1(b) A different distraction: the Social Contract

This strategy bore early fruit in the shape of the ‘social contract’, a semi-corporatist arrangement in which the TUC unions agreed not to exercise their market power to the full in return for some influence over the industrial relations, economic and social welfare policy of the Labour Government which returned to power in 1974.⁶ Although agreement to a voluntary incomes policy was not new for the TUC, the exchange of commitments was rather more explicit than had previously been the case. In the event, although the TUC had some substantial input into the restructuring of labour legislation in the wake of the repeal of the Industrial Relations Act, the rapidly mounting economic crisis, together with the fear of a newly combative neo-liberally inclined leadership in the Conservative Party, led the union leadership to agree both to a scaling down of the commitments from Government and a tightening of wage restraint. While the incomes policy was reasonably effective for as long as the TUC could hold a line among its affiliates, by 1977 patience had run out and the TUC ended its formal support for wage control. The Government’s unilateral imposition of a pay norm in 1978 led to the series of mainly public sector disputes commonly known as ‘The winter of discontent’, which proved to be the electoral undoing of the Labour Government the following year.

2.1(c) So what exactly became of Donovan?

The battles over *In Place of Strife* and the Industrial Relations Act followed so closely on the heels of the Donovan report and were themselves followed so closely by the difficult years of the Social Contract that it is not really surprising that little progress was made over the decade in implementing the Donovan recommendations, most of which were to be put into practice through voluntary means. Although during the 1970s both union membership and the proportion of the workforce in unionized workplaces increased, this would arguably have happened anyway given the support of Governments for collective bargaining and the existing strength of the union movement. While there was also some expansion of the scope of collective bargaining, this was in fact fairly modest. Taken together, the changes certainly did not amount to the sort of transformation of industrial relations envisaged by the Commission. In particular, rather than contributing to the control of inflation and industrial modernisation, the spread of productivity

⁵ Gourevitch et al 1984.

⁶ The analysis of events in the following paragraph follows that of Davies and Freedland 1993, chapter 8.

bargaining arguably made incomes policies more difficult to sustain. Writing in 1983, Sisson and Brown concluded that under the pressure of the Labour Government's incomes policies, productivity agreements had become 'devalued coinage', mostly designed to get around the constraints of the policy. In particular, collective bargaining over 'managerial relations' — Flanders' term for the manager-employee authority relationship — remained "massively variable from industry to industry and from workplace to workplace, heavily dependent on the form of management controls and the relative power of the protagonists."⁷

2.1(d) The Conservatives under Margaret Thatcher

The Conservative administration led by Margaret Thatcher, which took power in May of 1979, was faced with what appeared to be an intractable situation. Neither regulation (the Industrial Relations Act) nor incorporation (the Social Contract) had succeeded in addressing 'the union problem', which is to say the difficulty of reconciling free collective bargaining with the control of wage-driven inflation. However, despite the Conservatives' concrete policy ambitions remaining much as they had been under Heath — somehow legislatively to limit the ability of trade unions to take industrial action — the theoretical basis of those ambitions had changed. The new right-wing political and economic thinking which had developed during the 1970s had had a significant impact on the leadership of the party. Although there were unquestionably contingent economic and political factors that pushed in the same direction, the Conservatives' success in transforming British industrial relations this time around was in no small part due to the possibilities for policy justification and grounding opened by this thinking. As we will argue below, the pluralist policy consensus had been supported for pragmatic reasons. Large sections of the right were instinctively opposed to compromise with the unions, yet there seemed to be no theoretically and politically tenable basis on which to challenge the sociological analysis underpinning pluralist industrial relations policy. However, their new analysis of society and the economy — which was simple, intellectually robust (in a certain sense), and chimed with the historical context — did provide just this; once the essentially pragmatic challenge that 'pluralism had not worked' was supported by reasons *why* it did not work drawn from this body of thinking, the radical reform of industrial relations turned out to be much more easily accomplished than anyone, not least the Conservatives themselves, had expected.

⁷ Sisson & Brown 1983, p148-50.

2.2 PRAGMATISM *VERSUS* PRINCIPLE: THE ROOTS OF THE PLURALIST POLICY CONSENSUS

2.2(a) The principled case for pluralism

As we saw in Chapter 1, the most important normative commitment underpinning Flanders' influential model of pluralism was that workers have the absolute right to organize in opposition to management. Workers' values, went the argument, contradict the values of capitalism, but are no less legitimate. Their economic interests conflict with the interests of the owners of capital and of their agents in management, but they have an equal right to material security and comfort.

While the commitment of employers to the right of employees to organize in opposition to their plans should not be over-estimated, it is at least clear that around the time of the Donovan Commission it was not considered acceptable to pursue industrial peace via either the suppression of worker self-organization or the attempt to control worker values using propagandistic or other psychological techniques. With respect to the former possibility, for example, the Conservative Party's position since at least 1947 had been that collective bargaining was "the most satisfactory of all methods of determining wages and conditions", and it argued that widespread employer opposition to union recognition was a thing of the past.⁸ It was Flanders who best stated the case against the latter, arguing that even with the best of intentions, employers had no right to "impose values on people, for their alleged benefit, which they would not freely accept", regardless of whether this imposition was "associated with a manifestly autocratic style of management" or with "a manipulative approach to labour relations which employs more subtle techniques to control motivation."⁹ Since worker interests were in his view *objectively* opposed to those of their employers, it was not only pointless but wrong to expect employees to display some kind of moral commitment to the managerial vision of work and the enterprise.

This did not mean that the values and interests of workers could not be given expression in the employment relationship, however. Indeed, it was widely thought to be essential that they were. It was simply that that relationship had to cease to be one of worker dependence. An employment relationship whose terms were negotiated by equal partners would by definition reflect the values and interests of all involved. Hence according to the principled case for pluralism, collective bargaining was not just the 'most satisfactory' but the *only* acceptable means of determining not just wages and conditions but every aspect of the relationship between workers and the enterprises that employed them.

In one sense, this ought to have been the end of the argument. If the rights of workers are truly categorical, then collective bargaining and its related institutions and conventions must carry

⁸ Conservative Political Centre 1964, p7.

⁹ Flanders 1975, p147.

on regardless of the contingent features of the economic landscape. However, the obvious problem with allowing that sectional interests have the right to pursue their aims and values as hard as they can is that there appears to be no guarantee that any negotiated arrangements that emerge will be in the general (or public or national) interest. Rather they will simply reflect the balance of power between the parties to bargaining. We argued in Chapter 1 that the rather subtle solution to this difficulty which is implied in Flanders' work involves the definition of the public interest as whatever emerges from properly constituted collective bargaining. Where there are effective bargaining structures and an appropriate balance of power between unions and employers, union negotiators will be able to identify which management proposals represent genuine *economic* or *market* imperatives, which is to say that they will be able to 'choose the good for themselves'. Management negotiators, for their part, will recognize when union claims represent genuine *socio-political* or *non-market* imperatives. Given an appropriate institutional framework, then, and where all bargainers recognize the interdependency and legitimacy of the interests represented in negotiations, it can be argued that the agreements they reach *by definition* represent an appropriate balance between economy and society, and therefore embody the public interest.

2.2(b) The pragmatic case for pluralism

This argument, for all its theoretical appeal, carries with it a great many problems. Not the least of these is simply the difficulty of grasping the idea that the public interest is whatever emerges from bargaining. In practice it is very easy to slip from arguing that the public interest is *defined* through bargaining, to arguing that it is *identified* through bargaining. In the latter case, the argument for pluralist industrial relations becomes merely hypothetical. It depends on the empirical success of collective bargaining in identifying and putting into practice plans for enterprise action which are in the public interest.

The more pragmatic, 'sociological' defence of pluralism (see above, section 1.5(e)(i)) is founded precisely on this hypothetical justification. The claim that management unilateralism will lead to better economic outcomes is rejected on the grounds that the social disruption consequent upon the violation of the established, *de facto* framework of normative regulation will be such as to outweigh any on-paper advantage of abandoning compromise. The empirical weight of this argument depends in turn on two factors. First, the degree to which the normative framework itself is considered valid among workers and hence the degree of disruption which could be expected were it to be violated. This depends in turn both on the freedom legally accorded to workers to act against management and their willingness to do so. The second factor is the degree

of general economic advantage which, other things being equal, appears likely to be consequent on a reassertion of managerial prerogative.

On this basis it is probably fair to say that industrial relations policy-making in the late 1960s was dominated by the sheer pragmatic necessity of recognizing that the trade union movement was a force to be reckoned with. In 1968, pluralism did not appear to be optional, something only confirmed by the failure first of the Labour Government, and then of the Conservative administration that replaced it in 1970, to supplement (in the former case) or bypass (in the latter) the Donovan recommendations in favour of an injection of regulation. As we saw above, the Government was in both cases forced to back down in the face of union pressure and non-co-operation. The capacity and willingness of the unions to disrupt production, then, was clearly very high. At the same time, there was little perception that the managerial classes in the UK were champing at the bit, impatient to get on with the revitalisation of industry using new and innovative methods. In any case, for all that there was a popular image of trade unionism as willing to disrupt production at the slightest excuse, it was also difficult to see that loosing the hands that managers claimed were tied would bring any *general* benefit. The CBI made no attempt to argue, for example, that improved efficiency and productivity did not potentially involve skill reductions and an increase in the pace of work.¹⁰ Pluralism, then, much though it often seemed to be little more than a messy compromise, for a while appeared to be the only option for industrial relations.

2.2(c) The trade unions and the principled case for pluralism

Although one would expect the unions to represent the core supporters of the principled case for pluralism, it is to be doubted that the labour movement in Britain was fully in accord with the rather sophisticated academic theories that were often proposed. It would perhaps be more accurate to say that pluralism *à la* Flanders was a convenient justification of practices which, if they could be said to have had intellectual roots at all, were founded on the Webbs' conception of trade unionism as the diplomatic mission of the workers. This approach was dominated above all else by the belief that any acceptance of the logic of the market, of the general validity of managerial values, would spell the end of effective union resistance to the power of employers. By contrast, the implication of Flanders' idea that workers should 'choose the good for themselves' was that situations could potentially arise in which unions should *not* press home an empirical bargaining advantage. The justification for such restraint would have involved either the claim that it was 'owed' to the employer in the sense that it was required in order to maintain

¹⁰ See CBI 1968, p2; CBI 1976b, pVIII.

the fairness of the relationship, or that it promoted the general good. In practice, however, it was very difficult to sustain claims such as that an enterprise was at a disadvantage *vis-à-vis* its workforce or that it was the public which would be the principal beneficiary of wage restraint and not the employer. These difficulties were compounded by the unions' understandable unwillingness to take the word of employers that particular courses of action were economically imperative in some objective sense as opposed to simply being in the financial interest of shareholders. Despite paying lip-service to the idea of 'choosing the good for themselves', then, and in the absence of urgent reasons not to do so, unions in practice simply pressed whatever bargaining advantage they possessed as far as they could without attempting to assess the impact of their actions on 'the good', which is to say the public interest.

At the same time, however, they took advantage of the rather elegant justifications for oppositional behaviour that Flanders and his academic colleagues specialized in supplying, in particular those which stressed that there it was for each party to determine its aims and values for itself. The TUC, for example, argued that

A sociologist would probably call industry-wide collective bargaining an 'adversary situation'. In other words there is conflict. The employer usually resists the claims of union negotiators for increased earnings, greater security or improved conditions, or all three. In some cases, but not many, differences can be resolved by measuring the claim against objective standards. But more frequently the claim is made and resisted on grounds which, although valid to one of the parties, are not acceptable to the other. The eventual agreement is usually a compromise representing the least that is acceptable to the claimants and the most that the other side is prepared to concede.¹¹

There was also a high level of awareness of the distinction between the rights which workers had won for themselves through their own efforts at self-organization, and legally-enacted rights granted by Government which could be withdrawn, amended or made conditional on conformity with some conception of good behaviour related to a partisan definition of the general good. While unions seemed to believe in the public interest, then, they had little faith that it could be articulated in a balanced way by Government. "Unions and workpeople", polemicised the TUC, "have learned from experience that when the cry 'the National Interest' goes up, it means everybody but them. The Government seems to think that the national interest and the interest of the employers is one and the same thing."¹²

¹¹ TUC 1966a, p1.

¹² This is taken from a graphically adventurous 1971 pamphlet entitled simply *Reason* (TUC 1971a) which outlined the case against the proposed Industrial Relations Act. Printed in two colours, it was designed to look as though an informed reader had

At the same time, the unions were unwilling openly to define the national or public interest themselves for fear that to do so might prejudice bargaining opportunities at some point in the future. Nonetheless, as we suggested in Chapter 1, it was undoubtedly accepted that there was an economic component to the public interest in the sense that enterprises had to remain ‘viable’ if there were to be jobs and decent wages available to all who wanted them. As we will see below, the TUC was quite happy to concede, indeed even to emphasize that viability required ongoing organizational change. What it would not do was to take a position on or participate in any kind of discussion about what that change might involve outside the context of bargaining about its implementation.

2.3 THE UNDERMINING OF THE PLURALIST CONSENSUS

The absence of any early attempt directly to contest the argument that worker self-organization was a positive thing in and for itself serves to confirm that it was pragmatism rather than principle that underpinned the prevailing consensus on industrial relations policy. It seems reasonable to suggest that although they may not have liked it, managers generally agreed that regaining control of their enterprises could in practice only be achieved if that control was subject to the agreement of workers and unions. There undoubtedly were some employers who agreed that pluralist modes of industrial relations were not just unavoidable but desirable, but the extent to which British management in the late 1960s accepted the arguments in principle is doubtful. While the CBI, for example, was careful never to question the fundamental legitimacy of the trade union movement, it often argued that the material interests of workers and employers did not conflict in any simple or straightforward sense. This argument usually took the form of appeals for bargainers to take into account in policy formation the overall ‘social and economic advance of the nation’¹³ — a universal interest, by definition — or calls for employers and unions to make efforts to get workers to understand the aggregate economic effects of their actions. What is more, as the empirical evidence began to tell against the technical superiority of collective bargaining as a means of organizing the labour process, the fact that the pluralist consensus was pragmatically grounded rather than arising from a principled commitment to worker self-organization became more and more important.

Two elements of the pragmatic consensus combined to permit the development of an argument whose logic would eventually put collective bargaining itself in question. The lack of any shared normative commitment to worker self-organization — which is to say the idea that the

underlined certain passages and made notes in the margins. The second sentence quoted above was emphasized with some of this *faux* underlining.

¹³ CBI 1965, p5.

essential socio-political component of the public interest can only be articulated by the trade union movement — together with the implied recognition that a transcendent unitary public interest was identifiable independently of bargaining meant that it was possible for either side to conceive the public interest in such a way as to exclude the other from participating in its definition. This is what we referred to above as ‘fault-driven’ industrial relations policy. As we shall see, the managerialist right was increasingly drawn to definitions of the public interest which emphasized the importance of a technically-conceived economic policy. At the same time the unions’ confidence in their own ability to resist any serious encroachment on their rights meant that they made little or no attempt to construct an argument that the public interest had to involve the conciliation of economic and socio-political goals; they preferred instead to focus on the development of fault-driven policies of their own derived from a definition of the public interest in which the economy was to be subject to political control.

2.3(a) Technocratic management and the pursuit of the public interest

In the 1960s and 1970s, the CBI took every available opportunity to emphasize that management was a profession based on specialized knowledge — it was a technical function within the enterprise rather than an economic interest like capital or labour. The public interest was conceived in terms of promoting the successful development and application of managerial expertise in industry. While the Confederation appears to have been genuinely open to the possibility that extended collective bargaining on the Donovan model would enable managers to regain control, its focus was on the end rather than the means. The commitment to voluntarism was contingent on the absence of any viable alternative means of pursuing the public interest.

It is important to note, however, that at the time of the Donovan Commission, the CBI did not think of the determination of wages and conditions as susceptible to the application of expertise, this being something quite distinct from the organization of production. The distribution of the rewards of enterprise activity between workers and shareholders was a political issue which could and ought to be resolved in isolation from the technical questions of management. In its evidence to Donovan, for example, the CBI argued that

The contribution which industrial relations can make to more efficient labour usage, and therefore increased productivity, is limited by the fact that many of the decisions needed for improving productivity lie outside the industrial relations field. These may be purely management decisions (for example on capital investment or the initiation of technological change), or Government decisions...¹⁴

¹⁴ CBI 1965, p17.

The CBI's attitude to productivity bargaining reflected this wish to delimit a (very restricted) area in which workers had co-determination rights from the major part of enterprise activity. Productivity bargaining was conceived as a pragmatic solution to the problem of dealing with outdated or restrictive working practices in a strongly unionized context. Although it was certainly thought of as an important new element in the managerial toolbox, it did not have the emblematic significance which it carried in Flanders' work; it was not understood as a move towards the co-determination of the day-to-day organization of production. Hence it was emphasized that any reorganization of production which was linked to real increases in pay should involve a proportional increase in effort on the part of the participating workers rather than simply the acceptance of change.¹⁵ In this way, bargaining over the organization of work could be presented as the resolution of contractual issues concerning the level of effort and degree of co-operation rather than as a distinctively new and different approach to management which encroached upon traditional prerogatives. Indeed, the CBI repeatedly returned to the point that the conception and design of organizational change was exclusively a management function.

If we assume that the unions shared this wish to delimit areas of joint sovereignty from those of unilateral control it is perhaps less surprising that the TUC appears to have concurred both with the idea that successful organizational change was a crucial issue, and with the reservation of the planning of this change to management. The argument that organizations needed to change in response to changes in their environment was certainly current in the labour movement.¹⁶ In a 1966 pamphlet the TUC argued that "[w]orking practices or other conventions of industrial life are continually being made out-of-date by technological change."¹⁷ A few years later, in 1971, the first paragraph of another TUC pamphlet intended to explain the concept of 'good industrial relations' states that "No industrial, administrative, or commercial establishment, whether it is producing goods or providing a service, can run successfully for long without making changes in what is done there or the way it is done."¹⁸ It was made just as clear that it was exclusively the task of management to initiate these changes, "outlining the methods by which the job or firm can be made more efficient".¹⁹ That the unions were so sanguine about assigning this

¹⁵ CBI 1968, pp9-10.

¹⁶ This was theoretically supported by the work of organization theorists in the contingency/consistency school, for example Burns and Stalker 1968 and Lawrence & Lorsch 1967, but the extent to which this particular stream of academic organization theory had affected union or management thinking in Britain is not clear.

¹⁷ TUC 1966a, p15.

¹⁸ TUC 1971b, p5.

¹⁹ TUC 1966a, p3.

crucial role to management reflects their absolute conviction that when it came to issues of implementation, they would be able either to prevent change that was damaging to the interests of workers, or to extract appropriate compensation for the damage suffered.

It is wholly unsurprising, of course, that the Conservative Party should have adopted the same line as the CBI. Its policies were really only distinguishable on the basis of the slightly greater emphasis placed on the centrality of the role of the professional manager. The CBI, after all, had no (or at least less) need to persuade managers that it was on their side. The Conservatives, on the other hand, under their new leader Edward Heath, were in the midst of trying to shed their image as the party of the establishment in order to attract the support of the 'go-ahead' types from modest social backgrounds who were increasingly replacing the patrician classes at the helm of British industry. The 1965 paper *Putting Britain Right Ahead* (the pun in the title was almost certainly intended) was the first major statement of the technocratic policy direction which was to endure for the next ten years or so.²⁰ There were two stages to the argument put forward. The centrality of the role of management was premised on the increased pace of technological change which had led to more intense competitive pressure on British industry. First of all, then, rather than protecting managers and enterprises from this pressure, Government should allow them to be exposed to these 'more bracing' conditions, which would act as a stimulus to innovation and a bulwark against complacency.²¹ The central task for managers would be the application of their specialized knowledge to guide their enterprises and workers through the complexities of technological upgrading. This specialized knowledge would cover not just the technical aspects of production, sales, marketing or finance, but the design of ideal organizational configurations for the enterprise, i.e. those in which the efficiency of labour usage was optimised.

The second stage of the Conservative strategy would apply once managers had been shaken from their torpor by exposure to the chill wind of competition. The idea was to support the *implementation* of ideal organizational configurations. Contrary to the Donovan ideal, putting organizational and technical change into practice was conceived separately from planning. It was a discrete issue, something to be dealt with by personnel or industrial relations managers. However, given the increased importance of ongoing technical and other change which was a consequence of the sheer pace of technological innovation, the policy priority was to close the gap between the ideal and the possible by making the implementation of change easier to achieve, union objections notwithstanding.

²⁰ Conservative Party 1965. The manifesto for the 1966 election, the 1968 paper *Fair Deal at Work*, and the 1970 election manifesto all echo this same position (Conservative Party 1966, 1968, 1970).

²¹ Conservative Party 1965, p12.

As we will see below, part of what the CBI and the Conservatives wanted to see was some legal restriction on the ability of the unions to prevent managerial expertise being properly applied; in effect to push bargaining back to its proper place by limiting the range of circumstances in which industrial action was permissible. However, after the failure of the Industrial Relations Act of 1971 to achieve this in practice, the managerialist right in the UK was obliged to return to the drawing board. So far, it had clearly failed to persuade the public that ‘untying’ the hands of management would be of any noticeable general benefit.

Before we move on to discuss the subsequent development of Conservative policy, it will be useful to comment briefly on the conception of managerial expertise which underpinned the policies of the Heath Government. Perhaps the most important thing to note was that it was not directly referenced to the market. The organizational configuration which was the supposed goal of management was conceived as a combination of state-of-the-art technology and appropriate administrative structures. The belief seems to have been that, given a particular type of production process and a particular level of technology, there was a ‘best way’ to structure relationships within the enterprise. It was the role of management, then, to find this best way. The dynamic force driving organization change was technology *per se*. This rather modernist view, which reflected the work of several organization theorists of the 1950s, perhaps most notably Joan Woodward, contrasts markedly with the less rigid approach that was to succeed it.

2.3(b) Neo-classical economics and the redefinition of the roles of management and unions

By the time Margaret Thatcher won the leadership in 1975, the Conservative Party was near the end of a process of policy rethinking which had been underway for some years. What emerged from this process was a return to the simple verities of classical economics in which the impact of non-economic interests was simply assumed away. In the post-war years the party had drifted away from the liberalism that had once been the mainstay of its economic policies. However, even before the Donovan Commission, the argument that the virtues of competition had been unjustly forgotten was already beginning to be heard. Initially, this was couched in terms of the need to control inflation. In the wake of the Conservative defeat in the 1964 general election — after thirteen years in power — three policy papers quickly appeared in each of which it was proposed that if the average level of earnings was more closely to reflect the average performance of enterprises, then wage-setting had to take place at the level of the workplace, taking account of the actual performance of each employer.²² The novelty of this position was certainly not the idea

²² All three papers were published by the Conservative Political Centre. Their authors were to go on to become influential voices in the Party — and in the case of Howell and Raison members of the Thatcher administrations — in the 1970s and 1980s. (Raison 1965; Howell 1965; Higgins 1965)

that the average increase in earnings should reflect the average performance of enterprises, and more specifically the increase in productivity. That this was the way to avoid inflation was thought to be very clear.²³ What was new (or perhaps newly rediscovered) was the idea that the distribution of actual pay increases within this average should itself be left to the market. As late as 1964, the official Conservative Party line was that although it was an important issue, it could safely be dealt with by the technical specialists of the National Incomes Commission (NIC).²⁴ The implication of the arguments made just a year later, however, was precisely that it could not. Politics, it was suggested, can and will intrude.

This argument did not have much immediate influence on the policies of the party or of the Heath Government, however. While the policy statements and manifestoes issued in opposition between 1965 and 1970 devote plenty of space to the virtues of competition and the need to improve the efficiency of industry, the emphasis in practice was still firmly on regulatory solutions, most notably increasing Government control over trade union activities. Further, having insisted in the 1970 manifesto that compulsory incomes policies were a failure and would not be repeated, they were nonetheless reintroduced by Heath in 1972.²⁵

By the mid-1970s the argument had developed somewhat. Perhaps most notably it had acquired a sense of political urgency — planning, wage-setting at the national level and other forms of Government intervention in the workings of the economy were now presented not just as the cause of inefficiency, but as a danger to democracy. The argument was that an increasing range of what were properly *economic* decisions were being taken on *political* grounds:

In the UK over the last few years more and more economic decisions have been taken outside the market. The result has been intense pressure group activity in the political arena, the growth of direct action by employees, and greater social unrest generally as even the meekest and most law-abiding of citizens have come to realise that economic rewards are increasingly disbursed through the political system and according to criteria which attach greater importance to the strength of a man's voice than to his ability and contribution.²⁶

²³ While we are not in a position to judge the accuracy of his comments, one Conservative author argued that this was not simply true, but was “an equilibrium condition which is true by definition.” Higgins 1965, p8.

²⁴ Conservative Political Centre 1964b, p.13.

²⁵ This was the famous ‘U-turn’ to which Margaret Thatcher was disparagingly to refer in 1981 when she punned “You turn if you want to. The lady’s not for turning”.

²⁶ Centre for Policy Studies 1975, p14.

The crucial contrast in this approach is between the (supposed) impersonality and disinterestedness of market mechanisms and the ‘strength of a man’s voice’. The economy was not thought of as part of the political structure of society. Rather, it was a backdrop; part of the context for social action rather than being its object. Since it could be scientifically demonstrated on the basis of theoretical economic models and empirical evidence that the best possible material outcomes for all arose from a policy of strict non-intervention in the naturally-occurring mechanics of the economy, it was surely folly to accept that those whose role it was to understand and respond to those mechanics should have to compromise the technical optimality of their responses in order to meet the demands of one powerful section of society. It was therefore simply mistaken to believe that setting the price of labour on the basis of what was politically acceptable would not inevitably lead to difficulties. It may have been sustainable for certain periods under certain conditions, but in the end the market would demand a correction.

Viewed in this light, collective bargaining appeared to be defensible only if conceived as a *direct* economic mechanism for setting the price of labour. If this was the case, then insofar as it was their role to agree a collective contract to secure a supply of labour, managers were simply the agents of the buyers of labour (capital) and unions the agents of the sellers (labour). The roles of management and trade unions were *both* principally economic and political aims and values were viewed as an unnatural intrusion. As the Conservatives regretfully noted in 1977, “We have, for historical reasons, trade unions which are to a much greater extent politically motivated — and even, in many cases, politically controlled — than in most successful industrial countries. Some union leaders are quite simply opposed to the basic rationale of the free enterprise system.”²⁷

2.3(c) The redefinition of the public interest in economic terms and its consequences

Obviously, then, the idea that it is the role of the unions to articulate a socio-political interest as against the economic interests represented by management had no place in this new scheme. Collective bargaining did not involve a compromise between economy and society. It was a purely economic phenomenon: the negotiation of the price of a particular type and quality of labour in the context of the supply of and demand for it. In the most recognizably ‘new right’ of the three Conservative policy papers from 1965, for example, author Higgins states that the need for *co-operation* between managers, unions and Governments arises principally because it is crucial to remove monopolistic and restrictive practices in the labour market. When it comes to determining the price of labour, however, there should be no need to seek agreement. In this case,

²⁷ Howe et al 1977, p13.

argued Higgins, “it is still meaningful for a manager in a particular firm or factory to ask the question: is it necessary for me to pay more in order to attract or retain sufficient labour, taking the monetary and non-monetary advantage of the occupation concerned into consideration?”²⁸ In an influential paper published by right-wing think tank the Centre for Policy Studies in 1975, we find essentially the same point: “in a market economy, employees are free to develop and offer their skills to the company which will pay the most for them.”²⁹

That the price of labour was not being set in this way was in the mid-1970s rather obvious. With the arrival of the so-called ‘social contract’, both the level of wage increases and the wage relativity of different occupational groups had become almost entirely detached from economic considerations. As the first official policy statement issued under the Thatcher leadership pointed out, employers were being excluded from the decision-making process. With so much emphasis placed on Government and unions cutting deals over beer and sandwiches in 10 Downing Street,³⁰ it was, said the paper “not possible to represent and include other interests in the country in this bargaining process”.³¹ Without the participation of employers, wage-setting had been cut loose from any connection with the needs of the individual enterprise and hence from the needs of the economy as a whole. What the Conservatives proposed was that “every organization (including those in the public sector) should be put in a position in which workers and management are obliged to face together the inescapable choice between realistic pay levels and job security, or excessive earnings and a doubtful future.”³²

In the new Conservative position, then, it was assumed that the public interest is best realized through the application of the correct means for setting the price of labour. Although the conception of the public interest remained a unitary one measured according to a technical standard, that standard was no longer *organizational* (the degree to which it is possible for management expertise to be applied), but *economic*. In policy terms, this implied the dismissal of the idea that pay bargaining could be used as a means to secure union co-operation with managerial plans and strategies without causing inflation. The argument would have run as follows: It may well be the case that in some particular enterprise the successful implementation of managerial plans will lead to an increase in productivity, thereby providing the means to pay for that co-operation through real increases in wages. However, both wage and profit rates in that

²⁸ Higgins 1965, p11.

²⁹ Centre for Policy Studies 1975, p6.

³⁰ The official residence of the Prime Minister of the UK.

³¹ Conservative Party 1976, p38.

³² *Ibid.*, p 38.

enterprise would then reflect the strength of its workers' organization rather than the state of the labour and product markets. If all enterprises were to proceed in this manner the distortion at the level of the economy would be enormous. Pay rates in particular would come to mirror the state of union organization rather than the productivity of labour, with disastrous consequences.³³

While both the earlier and the later Conservative/managerialist conceptions of the public interest are in marked contrast with the rather more complex idea that the public interest lies in finding the correct balance between economic and socio-political imperatives, it was the later, economic or market-related conception which both permitted and prompted the more effective attack on Donovan-style pluralism that characterized the second half of the 1970s. As long as the managerialist right believed that bargaining over pay and terms and conditions was not the *primary* issue — that being managers' ability to implement their plans — there was a tendency to go along with two of the major implications of the pluralist notion that it was the role of the unions to articulate a socio-political interest. On the one hand, as long as unions did not have it entirely their own way, then if pay was not being set via workplace-level negotiations then this did not matter very much. This was especially true from a national perspective. The willingness of the 1964 Conservatives to allow the independent technocrats of the NIC to determine pay rises is a testament to this view. On the other, it was perfectly logical to use bargaining over pay and conditions as a tool to get rid of restrictive practices and other obstructions to improved labour usage. Hence both national-level pay-setting and productivity bargaining (understood as *bargaining* for increased co-operation rather than in some sense *requiring* it) were acceptable.

However, if collective bargaining is defined in purely economic terms as a price mechanism, not just the social contract but the entire pattern of the pluralist industrial relations system starts to look highly questionable. First of all, it becomes essential that bargaining occur at least at the level of the enterprise, preferably at level of the workplace and ideally at the level of the individual employment relationship. Otherwise crucial local information about the supply of and demand for different types of labour is not taken into account in price-setting. Further, unions are only one among a large number of economic interests whose voice deserves to be heard on the national policy stage. They have no privileged position as the sole carriers of the socio-political components of the public interest. Second, bargaining over pay and conditions is not a means to win the co-operation of a workforce which has already been engaged. Rather, co-

³³ Nigel Lawson, later to become the Chancellor of the Exchequer (Minister of Finance) provides a good summary of this argument in his 1980 paper, *The New Conservatism*. See especially pp9-10.

operation is what wages pay for. There should be no need to bargain to win the reasonable behaviour which employers are entitled to expect anyway.³⁴

It was in fact several years before the impact of the change in the assumptions about the nature of the relationship between workers and employers took its full effect. Logically, the very existence of trade unionism is put in question by thinking of pay-setting in this way. It once more takes on the quality of a cartel or indeed a ‘conspiracy in restraint of trade’. Initially, however, we can see two effects on Conservative Party policy. First, Government was to withdraw from any kind of intervention in pay setting, and the decentralisation of collective bargaining was to be actively encouraged. “Pay bargaining in the private sector”, intoned the Conservative manifesto for the 1979 general election, “should be left to the companies and workers concerned. At the end of the day, no-one should protect them from the results of the agreements they make.”³⁵ Second, the idea that co-operation between managers and workers could be developed via bargaining was dropped in favour of a kind of soft managerial unilateralism. Since the economic conception of collective bargaining excluded the possibility of bargaining over what Flanders called ‘managerial relations’, it was argued that the implementation of managerial plans would best be achieved through consultation and communication with workers. Workers’ participation in management, a highly sensitive issue which we discuss further below, fell into essentially the same category.

2.3(d) Monetarism, conflict and ‘responsible’ bargaining

There were two additional elements of the new Conservative policy which are of interest here. First of all, the depoliticisation of economic decision-making was also to apply on the international stage. Import and exchange controls were to be dropped, and henceforth British industry was to be required to face the full force of competition from abroad. Second, and of more rhetorical and symbolic importance, the fight against wage-driven inflation was to proceed via the control of the money supply, not via direct attempts at wage control. Monetarism stepped in to fill the gap in the argument left by the Conservatives’ dismissal of the unions from the national policy stage. Once unions had been relegated to their proper, localised economic role, the question arose of how wage claims were to be controlled. The answer was a combination of credit controls and strict limits on public sector spending designed to make it much more difficult for employers, whether public or private, to finance pay increases they could not afford.

³⁴ “Unions tend to demand and obtain policies in exchange for restraint which either damage the national interest as a whole (such as tight price controls) or which they hope will further their own interests at the expense of the rest of the community. The basic bargain is likely to mean that the Government promises to do things that ought not to be done, in exchange for a promise of wage restraint which is in everybody’s interest anyway.” Conservative Party 1976, p37.

³⁵ Conservative Party 1979, p12.

It is at this point that the new Conservative policy joined up with an older stream in the argument, the need to limit the ability of the unions to disrupt production. This was clearly more important than ever given that management were to be obliged to take a harder line in bargaining. A vitally important part of the new approach was a belief that the imperatives of the market economy took priority over social and political goals. The question, then, was not how to maximize the extent to which a particular plan could be implemented given the amount of objection to which it would give rise, but how to minimize the disruption consequent on its implementation. The most important thing about monetarism was not its economic effect, but the fact that once it had replaced incomes policies as the principal weapon in the fight against inflation, there was no longer any need to avoid upsetting the unions. Their co-operation was not required. With this political obstacle neatly sidestepped, the way was finally clear for the attack on union prerogatives which had been on the Conservative agenda for the previous fifteen years. There would be two main aspects to this assault. First, a questioning of the policy goal of industrial peace; and second, an attempt to argue that those involved in pay bargaining, in particular the unions, were 'irresponsibly' insisting on claims and proposals that failed to respect certain objective economic parameters.

(i) The virtues of conflict

One of the earliest objections to Britain's pluralist industrial relations system was that negotiators were for some reason failing to reach agreements in which the economic aspects of the public interest were given proper weight. Unions, the case went, were able to press their claims beyond the point at which they ought to have recognized that management had reached its backstop position, either simply resisting change or putting so a high price on it as to render it pointless. Initially at least, this was rarely presented as a criticism of union members or negotiators themselves. The point was simply that there was little incentive for them *not* to oppose the will of management, or to make claims for more simply on the grounds that they looked likely to succeed.

So far, this is little different to the analysis which was put to, and largely accepted by, the Donovan Commission. However, as opposed to the Donovan proposal that these problems be addressed by the reform of the institutions of industrial relations in order to promote more and better collective bargaining, which is to say a better quality of compromise, the distinctively right-wing or unitarist second stage to the argument was to suggest that the British IR system was already rather *too* oriented towards promoting agreement. The traditional British preoccupation with industrial peace meant that few managers were willing or able to face down unreasonable claims or resistance to change, even where they knew that this was crucial to the future of their

enterprises. The bias towards peace at any cost, the argument went, had been built into the very structures of industrial relations in Britain. The institutional backdrop, perhaps most notably the law, was designed to promote compromise rather than effective industrial organization, and the idea that no-one's aims were ever more important or worthier than one's own had taken deep root among those involved in IR. There were thought to be two consequences of this. First, there was little chance that campaigning managers would receive any support from the courts or from Government; and second, workers had become so used to being suspicious of management and to getting their own way that they had little appreciation either of the technical complexities of the profession, or of what enlightened management could do for them.

We have already touched upon the difference between this position and that espoused by Flanders and the other supporters of productivity bargaining, but it is worth restating. As we saw above, Flanders made it very clear that he wanted to see better, more technically accomplished management in British industry. However, he understood the formulation of management plans and strategies as something which could not be achieved independently of the consideration of how to maintain the co-operation of workers. Industrial relations, managerial relations and technical management ought in his view to have formed an indivisible whole.³⁶ The idea that management should come up with plans which were then diluted or otherwise frustrated in negotiation with the workforce was no part of his scheme. This is, unfortunately, rather a nuanced position which is not easy to appreciate. It is much more straightforward to imagine that managers plan what they would ideally like to do first, and attempt to find some way of implementing it afterwards. This is one aspect of the difference between the political and technical conceptualizations of management which we discussed above.

Even though the CBI broadly supported the Donovan proposals — despite these falling rather short of its own wish for changes in the law aimed at restricting the ability of unions to take industrial action — a closer look at the arguments it was making in the second half of the 1960s suggests that there was definitely a limit to its willingness to accept that a compromise which brings peace is always preferable. In its evidence to the Donovan Commission, it argued that although the industrial relations system had been very successful in preserving industrial peace, this was also due ‘in part’ to the concession of inflationary pay increases. Neither had the system had much success in promoting the “efficient use of labour”, the implication being that managers

³⁶ A similar idea resurfaced in the 1980s, however, in the context of attempts to define human resource management. David Guest, for example, argued that one of the four defining characteristics of this supposedly new approach to employee relations was the “strategic integration” of human resources policies, which is to say the integration of personnel and human resource development issues into day-to-day management with a view to maximizing the return on investment in ‘human capital’. See Guest 1987.

had been unable to find any economically viable way of getting past union support for restrictive practices and opposition to technical change.³⁷

The argument was rather more robustly expressed in the Conservative policy papers from 1965 which we mentioned above. Timothy Raison claimed that managers were not receiving from Government “the moral support which they need if they are to put through measures which are bound to incur some odium at the time.”³⁸ It is not, he suggested “the One-Nation-Spirit-of-Dunkirk that we need today, but willingness to risk the tension that may arise from a greater readiness to root out our weaknesses, for instance in industrial relations... In short, we must be prepared to face a certain amount of conflict between different groups in society... for the good which may come out of it.”³⁹ David Howell made the point even more clearly: “It cannot be repeated too often that good industrial relations are not just a question of avoiding strikes... strikes do at least demonstrate that toughness is being shown on the management side in the face of unreasonable demands.”⁴⁰

(ii) *Responsible bargaining*

The idea, then, had long been to make management toughness easier to achieve. The combination of monetarism and increased exposure to international competition would simply leave managers with no option but to adopt and maintain the economically viable bargaining position, no matter how objectionable the unions found it. This was what was meant when the Conservatives talked about a return to *free* collective bargaining: wage-setting in which only the performance of the enterprise and the local labour market were of any relevance. Social and political factors, at whatever level they arose, were not to enter the equation.

There was never any attempt to pretend that this would be easy. Free collective bargaining, it was argued, was a practice which had been largely forgotten after so many years of wage restraint and incomes policies of various kinds. Re-learning it was “bound to be difficult and unpleasant”⁴¹ and no-one could “be sure how long it may take for the interests involved to accept the inevitability of *realistic and responsible* pay-bargaining along the lines we have

³⁷ CBI 1965, pp3-4.

³⁸ Raison 1965, p7.

³⁹ *Ibid.*, p15.

⁴⁰ Howell 1965, p9.

⁴¹ Howe et al 1977, p13.

suggested, or how much damage and suffering in unemployment and industrial disputes the country will have to endure before the stark alternatives become clear to all.”⁴²

The idea that an economic mechanism should rely on those participating to be ‘realistic and responsible’ appears a little strange, but what it reflects is the recognition that the unions did not think of bargaining in strictly economic terms. By using the term ‘responsibility’ in this context, the Conservatives were capitalising on the trade unions’ failure to challenge (perhaps even to notice) the rejection of the idea that collective bargaining was a conciliation of social and economic interests. Once this step has been taken, to say that it is irresponsible to hold out for an improved settlement or to resist change when an employer is sufficiently convinced of the necessity of his or her proposals that s/he is prepared to withstand industrial action is to suggest that the unions are wilfully ignoring the *objective* economic parameters within which the enterprise is obliged to act: “Those who negotiate around the table must understand and be aware of the constraints within which they are operating, and must have a responsible attitude to those realities.”⁴³ This obviously implies that the limits of the possible in bargaining are not set by the participants themselves (as the TUC assumed — see section 2.2(b), above). The Conservatives are making it very clear that the range of settlements which maintain an enterprise’s conformity with market requirements are not set by what employers are prepared to accept, but exist independently of any agreement which may be reached.

We can argue, then, that the tacit acceptance that the public interest is represented by a compromise between economic and socio-political interests, and the consequent recognition of trade unions as part of the political landscape was replaced in Conservative thinking by the idea that (normative or political) choices about action have to take account of a range of (objective) economic parameters and possibilities. Hence the idea that unions and employers have a duty to bargain responsibly — in such a way as to maintain the enterprise in conformity with the imperatives of the market — supplies the normative component of action which was previously included by way of deeming the unions to be the carriers of the socio-political component of the public interest. The public interest demands wealth creation, and the greatest amount of wealth is created when enterprises respond appropriately to their market environment.

2.3(e) The political defeat of the unions in the UK

It was all very well in theory to argue that the unions should be relegated to a localised economic role characterized by responsible bargaining, but in 1979, when the Conservatives regained power

⁴² Howe et al 1977, p22.

⁴³ *Ibid.*, p7.

from the Labour Party, it was certainly clear that the unions did not agree that their role should change. Moreover, it was still entirely plausible to argue that they were in a position to insist that it did not. The CBI, for example, addressing the issue obliquely but without ambiguity, argued in 1979 (before the election) that too strong an emphasis on monetary policy as a means to control inflation would be damaging. “[I]f monetary policy is to have a major influence on the outcome of pay negotiations, control of the money supply might have to be so tight that the cost in terms of employment would be enormous. *It is doubtful whether any Government could stay the course.*”⁴⁴ Its preferred solution, harking back to the older Conservative position, was to organize wage bargaining within the public interest framework set by a ‘national economic forum’. Unions which refused to remain within the parameters set by the forum could then be pilloried for their failure to respect the public interest as defined by independent experts.

The Conservatives themselves were braver, not least because of their conviction that unemployment was in fact a reflection of the unions’ mistaken conduct over the previous fifteen years and their continuing inability to adjust to economic reality.⁴⁵ Writing in 1980, for example, Nigel Lawson (at that stage a newly-elected Member of Parliament, but later to become the Chancellor of the Exchequer) argued that the continuing high level of wage settlements and the ‘consequent’ unemployment was evidence for the fact that the discipline of the market had not yet taken effect on bargaining behaviour.⁴⁶ Lawson’s view reflects the sense in which the Conservatives did not see it as the role of Government to bring the unions under control directly, but rather to allow the discipline of the market to take effect. There was no need to define the public interest in order that union prerogatives could be made conditional upon some standard of good behaviour derived from it (as was the case with the 1971 Industrial Relations Act). Unions were properly economic actors, and as long as they behaved as such (i.e. responsibly) then the market would ensure that the outcomes of bargaining were economically appropriate.⁴⁷

The Conservatives’ long list of legislative measures concerning employment and trade unions can therefore be understood as an attempt to reinforce the discipline of the market by limiting the possibility of adopting ‘non-economic’ — political or solidaristic — modes of

⁴⁴ CBI 1979, p12; emphasis added.

⁴⁵ The cynic might argue that it was because of their conviction that this argument was politically sustainable and hence that they could safely blame unemployment on the unions.

⁴⁶ Lawson 1980, p11.

⁴⁷ This way of thinking, of course, involves an epistemological reversal. Economic ‘laws’ are derived from the observation of empirical phenomena. They are hypotheses designed to explain certain historical outcomes on the basis of certain empirical assumptions about the nature of social action in an economic context. If the logic of the hypotheses which relate action to aggregate outcomes is correct — and being wholly abstract, it is a relatively straightforward matter to make it so — then if individual actors consciously and perfectly conform to the assumptions made about their behaviour, then it is trivially true that the outcomes on the level of the economy will be as expected.

behaviour. This is not the place to conduct an analysis of that legislation, but in support of the interpretation we have proposed we can at least refer to the work of Davies and Freedland, who have identified three themes running through the various measures and policies which were adopted by the Conservative Governments from 1979. The first of these they call the reversal of corporatism and the depoliticization of the unions. This was “expressed in a distancing of the unions from the corridors of power... and by a progressive downgrading of tripartism in the processes and agencies of Government”, as well as directly in legislative measures such as the Trade Union Act of 1984 which required unions to conduct periodic ballots on whether to retain political funds.⁴⁸ The second theme was that of “empowering employers to resist trade union demands and providing employers with countervailing sanctions.”⁴⁹ Davies & Freedland suggest that this was one aspect of a more general policy of withdrawing active Government support for collective bargaining and trade union representation. In addition to the early repeal of the statutory union recognition procedure — between 1975 and 1980 employers had under certain circumstances been legally obliged to bargain with unions — this was achieved via a series of measures which “restricted the legality of industrial action, extended the liability of trade unions, and accorded employers an enhanced freedom to dismiss workers involved in industrial action.”⁵⁰ The third theme was “an attack on expressions of solidaristic behaviour by trade unions and by workers, and the encouragement of individualistic attitudes.”⁵¹ To this end, secondary and sympathetic industrial action was proscribed, the conduct of the internal affairs of unions was restructured in order to “encourage individualistic behaviour and override perceptions of solidarity”, and certain types of workplace organization, notably the closed shop, were outlawed. Davies and Freedland suggest that perhaps the most extreme manifestation of this tendency was the “move in the late 1980s to ensure that trade union members could not be disciplined by their unions for refusing to take part even in industrial action validated by support in a secret ballot.”⁵²

The arguments about the extent to which the effective collapse of the union movement as a significant social and economic force in the UK can be attributed to the Conservative legislation as distinct from the economic circumstances, most notably high and sustained levels of unemployment, need not delay us here. What is of more interest is the way in which the opportunity provided by the precipitate decline of the unions’ strength and their inability to focus

⁴⁸ Davies & Freedland 1993, p427.

⁴⁹ *Ibid.*

⁵⁰ *Ibid.*, p428.

⁵¹ *Ibid.*

⁵² *Ibid.*

their resources for a theoretically well-founded counter-attack was used to change the terms of the public policy debate.

2.3(f) The deincorporation of management

A crucial step in this change was the recruitment of management to the cause of the New Right. As we saw above, managers in the UK were rather less convinced than the ideologues of the Conservative Party that abandoning everything to the market was a good idea. The belief that powerful and recalcitrant trade unions were a permanent feature of the political and economic landscape was clearly deeply embedded. Although, again, it is difficult to say clearly whether the disappearance of this belief — what Steven Dunn has called the ‘deincorporation’ of management⁵³ — can be counted an *achievement* of the Conservative Party, it was certainly an *effect* of its first few years in office.

Even though the concept of management as a political rather than a technical task had never really taken hold among managers, the recognition of the validity of the sociological argument for collective bargaining had given rise to a kind of institutionalised inertia. In short, managers had a tendency to think, ‘why bother?’ However, the Conservatives’ economic policies, labour legislation and general attitude to the unions combined to undermine the pragmatic case against managerial unilateralism which had dominated management thinking for the previous fifteen years, encouraging instead a more assertive, even an aggressive approach.

We suggested above that the degree to which the pragmatic argument in favour of pluralist industrial relations is plausible depends on two empirical factors. First, the *de facto* validity of the normative framework supporting workers’ rights to organize and engage in bargaining, and hence the degree of disruption which could be expected were it to be violated. This depends in turn both on the freedom which is legally accorded to workers to act against management and their willingness to do so. The second factor is the degree of economic advantage thought likely to be consequent on a reassertion of managerial prerogatives.

Taking the second of these factors first, we want to suggest that a central implication of the Conservatives’ case was that the scale of the benefit which would arise from increased managerial freedom to formulate and implement plans for the enterprise was greater than had previously been assumed.⁵⁴ As we saw above, this was not an entirely new argument. Under the Heath leadership great play had been made of the under-appreciation of the technical abilities of

⁵³ Dunn 1993

⁵⁴ As Coates & Topham pointed out with reference to earlier demands for increased managerial control, this did not take the form of a direct ‘campaign for industrial autocracy’. Rather the argument was oblique, focusing on the benefits that would accrue if managers were given more scope to apply their expertise. See Coates & Topham 1974, p44.

managers. From the middle of the 1970s onwards, however, in tune with the more general emphasis on market forces, the emphasis was increasingly being placed on the importance of managers' ability to ensure that the enterprise responded appropriately to the demands of its market environment. The obvious failure of the Donovan solution — to increase managerial control by sharing it — added extra empirical weight to the case for augmenting managers' ability to act unilaterally.

With respect to the first factor, the most obvious policy was the legislative and administrative emasculation of the trade unions which we discussed above. This was important not just because of its concrete effects — making industrial action more difficult and risky, and excluding the unions from policy-making — but because of the very clear message it sent to managers. In effect, it meant that long-standing political pressure on employers to behave in a such a way as to be seen to be balancing economic choices with the interests of employees had been lifted. The Government was willing to accept, indeed to encourage the view that if managers considered a particular course of action to be economically necessary, then that course was the one that ought to be taken, trade union objections notwithstanding. The Government publicly extended unlimited trust to the managers of business, and withdrew it from the trade union movement. From having been an adjudicator, assuming that the best outcomes would emerge from the existence of a proper balancing of different interests, the Government became partisan, weighing into the argument on the side of management. Thus rather than attempting to deal with the recession by appealing to some kind of national solidarity, the Government instead called only one side of industry, management, to arms.

The combination of economic and political factors which decisively shifted the balance of power away from the unions seems quickly to have made a significant impact on the managerial collective consciousness. In the early to mid-1980s, business schools and industrial relations departments in universities were drawn into a debate about the transformation of work, management and the labour market. The changes seemed to be coming from within the ranks of management. If nothing else, there was certainly an awareness among managers that they themselves were trying to behave differently.⁵⁵ The industrial history of the 1960s and 1970s was revised to tell a story of the misguided erection of barriers to enterprise and to management's ability to manage. Distracted by the siren song of the trade union movement, Governments had lost sight of the need to pay close attention to the demands of the market and of international competitiveness. Managers, who wanted nothing more than to be allowed to do their jobs, had had ideologically motivated obstacles thrown

⁵⁵ See Dunn 1993.

in their way by the overmighty labour movement.⁵⁶ In the new climate of the 1980s, however, these obstacles were to be dismantled. Such, indeed, was the very stuff of management. Managers would no longer spend their time and energy finding ways to bribe and cajole their workforces into the smallest improvement in efficiency. Their attention would instead be directed outward, to the newly unstable and turbulent market environment.

2.3(g) The intellectual defeat of the unions

As we will see in a little more detail below, the unions' immediate reaction to the Conservative policies was simply to continue the development of the politically expansionist policy line which had emerged from the debates on industrial democracy. The reversal of the unions' fortunes was treated as a temporary setback which might necessitate some short term tactical rethinking, but certainly had no bearing on the larger strategic direction of the movement. In short, what this involved was the union version of fault-driven industrial relations: on the one hand, the exclusion of management from economic decision-making wherever possible in favour of agreement between Government and unions struck on the basis of social and political priorities.⁵⁷ On the other, where this was not possible, the effective imposition of union policies via planning agreements in which Government would bring pressure to bear on major companies to ensure negotiations were successful.⁵⁸

This polarisation of positions meant that the crucial shift in the Conservatives' policy argument — the subordination of the socio-political aspects of the public interest to the economic — was rarely addressed directly. What argument there was dealt with the issue tangentially if at all, in many cases merely repeating the *pragmatic* case for involving trade unions in decision-making. The presence and influence of the unions was taken for granted. According to a joint TUC-Labour Party policy group, for example, dealing with the economic and industrial crisis of the early 1980s would have required

a new national understanding, both of the problems facing the economy and of the solutions to those problems — an understanding whose implementation will vitally depend on involving the working people of this country in the economic decisions which affect them — whether at factory, enterprise or national level. It demands an agreement on such crucial issues as social reform and the distribution of income and wealth. But this

⁵⁶ See, for example, Howe et al 1977, p13.

⁵⁷ As one paper produced just after the defeat of the Labour Party in 1979 put it, “our economic, industrial and social problems can only be overcome through a constructive partnership between the trade union movement and the Government.” TUC-Labour Party 1979 p3.

⁵⁸ TUC-Labour Party 1978, p7.

is the only way forward for a society such as ours, in which the trade unions play such a central role.⁵⁹

The crushing defeat of the Labour Party in the 1983 general election, and the subsequent leadership contest from which Neil Kinnock emerged triumphant was followed by a move away from the radical policies of the so-called Alternative Economic Strategy (AES). Both the Labour Party and the TUC gradually dropped the emphasis on industrial democracy, economic planning and protectionism as an alternative to neoliberal economics in favour of a dual line of attack on the policies of the Conservative Party. First, there was a restatement of basic arguments in favour of trade union representation and collective bargaining which had not been heard for some years, so obvious had it been that they were universally recognized as valid.⁶⁰ Second, and perhaps more important, the economic and industrial policies of the Government were criticized *on their own terms*, which is to say from the perspective of their likely effect on the performance both of individual enterprises and the national economy. As we will see below, by the later 1980s these arguments were being presented as elements in a European-style concertative or neocorporatist approach to economic and industrial policy, but there was in fact little of any substance to distinguish the new strategy of argument represented from the earlier, pragmatic *liberal* pluralism of the 1960s. The fault-driven elements which had dominated the thinking of both the industrial and political wings of the British Labour Movement, while not openly repudiated, were put to one side along with the slightly hysterical tone which usually seemed to accompany them. They were replaced — surprisingly quickly — by a sober, rational and pluralist but not recognizably *socialist* critique of the Government. A very typical example of this type of argument featured in a paper produced by the Labour Party in 1984 which dealt with developments in European Community policy on workers' rights. It is worth quoting at length:

The assumption underlying the draft directives, which is shared by the Labour Party, is that proper account must be taken — at an early stage in the decision-making process — of the interests and views of the workers. Otherwise the implementation of final decisions will generate conflict and resistance. This will inevitably reduce economic efficiency, leading to further stagnation and an inability to adapt. It would then be unrealistic to expect the flexibility and commitment of skill and effort needed to restructure enterprises, introduce new methods of production and bring about changes in working practices.

⁵⁹ TUC-Labour Party 1981, p3.

⁶⁰ See in particular TUC 1984.

The potential difficulties which could result from a failure by Governments to promote such an approach have, for the moment, been kept in check by rising levels of unemployment. This has reflected the pressures which the current recession has imposed on businesses — which have been especially severe in Britain due to the monetarist policies of the present Government. The consequence has been to leave both employers and workers with very little room for manoeuvre as they are forced to struggle for survival.⁶¹

The most interesting aspect of the line being taken here is its impeccable pragmatic pluralism. While it is implicitly recognized that the unilateralist behaviour of management encouraged by the Government had not had the disruptive effect which would confidently have been expected fifteen or even five years before, this is explained by the shift in the balance of power consequent on high levels of unemployment. The authors' view is that it remains the case that the implementation of decisions which have not taken account of the interests and views of workers will generate conflict and resistance. This conflict is simply not being openly expressed because of the temporary economic disadvantage of workers. Nonetheless it is still there, and has a damaging effect on enterprise performance. The obvious implication is that when the economy picks up and unemployment falls, this conflict will once again be expressed in industrial action, to the disadvantage of all concerned.

2.3(h) Principled pluralism once more in question

With the benefit of hindsight, we can see that the argument had come full circle. In the mid-1980s, with the left falling back on the pragmatic version of liberal pluralism and the right wondering how to consolidate the increased managerial control over industry which was a consequence of the recession, the debate had in effect arrived back at Clark Kerr's opposition between the sociological and economic approaches to industrial relations (see above, section 1.2(a)). This time around, however, there were two important differences. First of all, pluralist industrial relations was now inextricably associated with the economic crises of the 1970s. Pluralism had not provided any effective solutions to the problems arising from the increased pace of technological change and exposure to international competition. Further, as we saw in Chapter 1, in these circumstances it was the logic of pluralism itself which pointed to the need for the economic aspects of the public interest to be given priority. Second, that there was necessarily an opposition between the interests of capital and those of labour was much less clear. It was much more difficult than it had been in the immediate post-war period to identify a 'working

⁶¹ Labour Party 1984, p4.

class', regardless of whether this was defined on an economic or socio-cultural basis. Further, perhaps the most important aspect of the case made by the Conservatives, along with the New Right internationally, was that the imperatives of the market did not represent the contingent interests of capital but were *objective* features of the economic landscape. If this was the case, then management — in the sense of the profession based on the science of reacting to these imperatives — could no more be the agent of capital than a civil engineer is the agent of a gorge which has somehow to be bridged. If it could be established that the interests and values of workers and employers were not really different, then managerial attempts to control (or 'manage') the social processes in which the validity of norms is established and confirmed within the enterprise could be presented not as manipulation but as education. In such a context, the outrage with which Kerr reacted to Mayo's human relations approach would appear rather misplaced.

2.4 FLEXIBILITY AND INDUSTRIAL DEMOCRACY: NON-BARGAINED MEANS OF ACHIEVING CO-OPERATIVE RELATIONSHIPS

In the mid-1980s, then, recent history and the available empirical evidence, together with the arguments which the New Right had built on them, combined to undermine both the pragmatic and the principled case for pluralism. However, a 'fault-driven' industrial relations policy could be maintained only for so long, especially when it was politically expedient for the Conservatives to claim that the power of the trade unions had been broken. The concept of 'flexibility' was to be the positive big idea which would replace anti-union measures at the centre of Government policy. It would be used by the managerialist right to consolidate the idea, also implicit in the concept of 'responsible' bargaining and underpinning the Conservatives' approach to labour legislation, that the choices about action made by workers and unions should have regard to the demands of the market environment of enterprises and nothing else.

Alongside flexibility, however, we need to give some consideration to the debate about industrial democracy and employee involvement and participation which was carried on throughout the 1970s. The thread which unifies these two topics is the aim of achieving co-operative relationships at work without resorting to bargaining, i.e. the idea of relationships built on a recognized unity of interest. As we will see, the TUC's conception of industrial democracy arguably did not belong in this category, but the arguments which were constructed by the unions to justify their position are worth analysing because this will help to explain the philosophical blind alley down which pluralism led.

2.4(a) The union movement and industrial democracy

Even before the report of the Donovan Commission it was clear that there was a third possibility for the reform of industrial relations beyond the more conventional alternatives of a return to management unilateralism and the extension of the scope and coverage of collective bargaining. This was industrial democracy, by which we intend the involvement of workers and unions in enterprise decision-making on a non-bargained basis.⁶²

Despite the view of the Donovan Commission that worker participation in management was best developed on the basis of the formalization and extension of collective bargaining, and despite the longstanding union suspicion of any policy commitment which could be interpreted as involving the acceptance of responsibility for the performance of enterprises, the discussion of non-bargained employee involvement in decision-making carried on and intensified throughout the 1970s. There were perhaps three reasons for this. First, there was a sense in which the union movement needed a goal beyond conventional collective bargaining. The political opportunity to achieve this through Labour Governments with large and stable majorities had finally arisen in 1964 (after thirteen years of Conservative Government), and arose again in 1974. Second, the profound social change which had begun in the late 1960s seemed to point to the end of the willingness of working people to take the prerogatives of management for granted — although it should not be assumed that this implied an increased willingness to participate positively in management decision-making. Third, and more prosaically, with the UK's accession to EEC membership in 1973 it seemed very likely that some form of worker involvement in management would sooner or later become obligatory. The discussion having previously been dominated by collective bargaining and the issue of regulation versus *laissez-faire*, there was a rush to produce positions which would capture the policy agenda. What was to emerge, however, was an extremely cloudy and confused vision of worker participation in management which reflected the unions' internal divisions rather than any move away from pluralism.

The problem was essentially a logical one. Once the scope of bargaining had expanded from issues of distributional conflict to include the organization of work it was difficult to escape the conclusion that unions were themselves involved in the management of the enterprise. The TUC recognized this in its evidence to the Donovan Commission:

It is true that one of the main tasks of trade unions is to limit and control those persons and institutions who hold authority over industry. Yet, to say that trade unions cannot limit or control management if they become part of it is to play with words. If

⁶² The term 'industrial democracy' was in fact often used to describe relationships based on negotiation, but as it will be important to maintain the conceptual distinction between bargained and non-bargained types of worker participation in management we will use the term to indicate the latter.

management is defined as the function of seeing that the work gets out at the other end of the factory at the right time, workpeople's representatives are already part of the substance of management, and it would be a considerable step forward if this role were more explicitly recognised.⁶³

In the context of significant union influence over the day-to-day organization of work, one option for unions in the workplace would have been to consider the pros and cons of proposed changes from a 'technical' perspective: whether these changes would have the desired effect on productivity, for example, or whether they might cause collateral damage which would outweigh any benefits in terms of improved performance. The ongoing success of the enterprises which employ them is undoubtedly at least a pre-requisite for the pursuit of employees' material interests, and in theory unions could have adopted a strategy of policing the effectiveness of management choices from the perspective of their contribution to the performance of the enterprise.

However, this sort of approach would have put two things at risk. The first of these was opportunist bargaining, i.e. the freedom of individual trade unions and union branches to take action wherever there was perceived to be the possibility of making any kind of tangible, immediate gain for members.⁶⁴ The second was the ability of the unions to claim that they bore no responsibility for the performance of industry. The perception of these risks was such that the kind of partnership unionism which might in principle have been developed was wholly rejected. The golden rule for trade unionists in this period was not 'to do management's job for it', in other words not to make suggestions about managerial strategy, whether spontaneously or as alternatives to rejected management proposals, and not to criticize employers' actions from a managerial perspective.

While there were many trade unionists who had ideological reasons for avoiding becoming involved in any consideration of the problems of the enterprise from the perspective of its economic performance, tactical considerations were at least if not more important in the rejection of this path.⁶⁵ Becoming involved in a discussion about the effectiveness of

⁶³ TUC 1966b, p103.

⁶⁴ Gourevitch et al (1984) identify this commitment to opportunist bargaining as a central influence in TUC policy making. It can arguably be traced to the political imperatives arising from the TUC's fragmented and non-authoritative structure, but it may also be rooted in the political or ideological belief that capitalism is not the workers' project. The point is well made by some latter-day exponents, the Canadian Autoworkers Union: "At the center of the management agenda is the ideology of 'competitiveness'. Even without the rest of the management package, we have already lost if 'competitiveness' is the agreed starting point. In subsequent discussions or negotiations based on competitiveness, the bottom line will always revert to 'what's good for the corporation?' So it is critical that we reject competitiveness as the dominant criterion guiding our actions." (CAW 1993, p15).

⁶⁵ The ideological objection is that capitalism is not the workers' project, indeed that it is in fundamental conflict with the ability of workers to build a better society. To adopt the perspective of management is to accept that its goals are legitimate, which they are not. See, for example, Coates & Topham 1974, p40.

management choices implies the possession of an approach to management; of a pre-commitment to particular management techniques and methods. This carries the danger that negotiators on the opposing side will ask why a price is being put on a particular change when the union seems to agree in principle that it is a good thing.⁶⁶

Similarly, if the unions were to have accepted that they bore some responsibility for the performance of enterprises, then any kind of effort to prevent or alter managerial decisions through industrial action would have needed to be supported by a technical critique of those decisions which showed how implementing them would damage performance. While there was little difficulty for the unions in accepting that up-to-date, efficient industry was in everyone's interest, they were not in a good position to claim that they knew better than management how to achieve it (even in the not uncommon circumstance that they did). Apart from anything else, accepting shared responsibility for industrial performance raised the appalling prospect of unions agreeing that job losses, wage freezes or the abandonment of time-honoured custom and practice were necessary in the interests of their members, and perhaps even being obliged to discipline their members to accept these decisions.

As a consequence, while most trade unionists seemed to have been convinced of the logic of expanding and formalizing their influence over the organization of work — and indeed over many other areas of managerial decision-making traditionally viewed as the exclusive prerogative of management, for example capital investment⁶⁷ — there was a tendency to continue to insist on engaging in *adversarial* bargaining about whatever was under discussion, i.e. to maintain that employer and employee interests were fundamentally opposed and that bargaining was not about finding solutions to problems, but about reconciling conflicting interests.

Given all this, it is perhaps a little surprising that in its evidence to the Donovan Commission the TUC not only argued that bargaining *was* a form of participation in management, but also left the door open to forms of union involvement in management decision-making other than collective bargaining. On the one hand,

⁶⁶ The TUC noted the possibility of the problem. "The argument is that workers will not have so much to 'sell' in future agreements, productivity bargaining techniques will fragment the bargaining process, and 'by committing the union to productivity 'undermine its bargaining strength'" (TUC 1966a, p11) It went on to argue that these were not strong grounds for opposition because workers' co-operation will always be worth bargaining for.

⁶⁷ The TUC's view was that bargaining was inevitably going to expand into areas normally regarded as covered by managerial prerogative and where existing union involvement, if any, was largely restricted to joint consultation. The problem with consultation was that "the union representatives are often merely asked to help in finding the most convenient way of carrying out a decision already made by management" (TUC 1966a, p15). The line between workplace negotiation and joint consultation, then, was gradually to disappear as bargaining was extended to cover an ever wider range of issues in order to facilitate change whilst preserving and enhancing the rights of workers. "Enterprises", the TUC confidently stated, 'can no longer be run on the basis of the unchallenged prerogatives of employers and unilateral actions by managements'" (TUC 1971b, p6).

autonomous job regulation represents a considerable influence exercised by trade unionists in the control of the job, and therefore it is not true in practice that the running of an enterprise is exclusively the job of management as normally defined. Autonomous job regulation is often concerned with the techniques used on the job and in such instances the duality of trade union function is clearly apparent.⁶⁸

On the other hand, as long as a proper distinction was made between the negotiating function of management and its overall task, the TUC took the view that there was no problem with a union presence on management decision-making bodies (including at board level) “until the step is reached when any of the subjects become negotiable questions as between trade unions and employers.”⁶⁹ Within the TUC there seems to have been a recognition that too strict an insistence on the point that unions should never be seen to give their assent to management decisions was limiting of the Movement’s ambitions to extend its influence beyond pay, terms and conditions. These ambitions were certainly not modest. Its first set of concrete proposals for industrial democracy, for example, involved the ultimate decision-making authority of an enterprise being vested in a supervisory board composed of equal numbers of worker and shareholder representatives rather than in the shareholders’ annual general meeting. However it is obvious that there was disagreement about the whole approach. In the 1973 paper in which these proposals were put forward, for example — which was eventually to become the TUC’s evidence to the Committee of Inquiry on Industrial Democracy (the Bullock Committee) — it is admitted quite plainly that the traditional union position has been one of opposition to workers’ participation in management.

It has been considered that the basic conflict of interest between the workers and the owners of capital and their agents prevents any meaningful participation in management decisions. The reasoning behind this opposition has varied from the claims the trade unions’ job is simply and solely to negotiate terms and conditions, and not to usurp the function of management, to the proposition that trade unions should not be collaborationist in a system of industrial power and private wealth of which they disapprove. However, the TUC’s 1966 evidence to the Donovan Royal Commission took a much more flexible approach.⁷⁰

⁶⁸ TUC 1966b, p104.

⁶⁹ *Ibid.*, p103.

⁷⁰ TUC 1973, p14.

Although the passage just cited shows the TUC apparently facing down criticism, its internal divisions were not in fact resolved and its eventual position on industrial democracy simply reflected them. The main contradiction is between the absolute insistence that the collective bargaining should retain its status as the principal means of regulating the employment relationship, and the recognition that the conflict of values and interests between workers and managers is not so great as to preclude rational argument — rather than negotiation — about certain issues. In its 1973 position paper on industrial democracy the TUC argues, on the one hand, that

the main way to extend the area of joint control and limit unilateral managerial prerogatives over matters of day-to-day management is to use the present structure of collective bargaining machinery to bring into the field of negotiations matters which are currently outside collective agreements... There is no logical reason why the collective bargaining process should only apply to the division of resources of the enterprise in terms of money wages.

On the other hand, it is suggested both that “there is no necessary conflict between worker representatives arguing the case at board level and then pursuing it at negotiations”,⁷¹ and that

the employer’s objective in productivity bargaining is to secure greater profitability for the particular plant and company involved. What is sought, at the price of greater trade union influence over decision-making, is union and worker identification with that objective. Providing the unions and workers involved do not lose sight of the broader trade union objectives this may be accepted.⁷²

The clear implication of these latter two statements is that the TUC believed it was not pointless for workers to attempt to persuade the management of an enterprise of the wisdom of a certain course of action using nothing but reasoned argument, *and vice versa*. This in turn involves the recognition that workers and employers have at least some values and interests in common which can be identified through ordinary discussion. The argument that everything should be bargained, however, relies on precisely the opposite assumption. It should be clear that this represents exactly the same potential contradiction as that between the transcendental unitary public interest and the public interest as it emerges from bargaining.

⁷¹ *Ibid.*, p36.

⁷² *Ibid.*, p30.

The flawed logic of the position which the TUC argued in the industrial democracy debate found its ultimate expression in a 1982 paper produced jointly with the Labour Party. This paper represents the zenith of the trade union version of fault-driven industrial relations, being based on the twin assumptions that only unions were capable of articulating the socio-political component of the public interest, and that it was the socio-political component which ought to be the priority for Government. These assumptions had become stronger and more explicit components of TUC argumentation as the 1970s progressed. A 1979 document about the implications of new technology, for example, argued that

it will be the responsibility of the trade union Movement to face the challenges of technological change and ensure that the benefits of this change are distributed equitably. Scientists will be absorbed in the exploration of new processes and techniques; managers will be searching for greater financial returns and profitability. Only trade unions and Government can insist that the use of new technology must take account of the widest human and social — as well as economic — implications.⁷³

The central argument of the 1982 paper was that the economy should be run on the basis of both collective bargaining and ‘joint control’ by working people in trade unions. The idea of joint control was related to a national economic planning framework which would “give workers the opportunity to *exercise a positive influence* over all aspects of economic decision-making”, the quality of which would be enhanced by their “knowledge and skills.”⁷⁴ Unions were to be involved in all stages of a national and sectoral planning process, and were to be crucial partners in the development plans which major enterprises would be obliged to negotiate with the (projected) Government Department of Economic and Industrial Planning. Although this sounds very much as though unions would be discussing the technicalities of corporate strategy from the perspective of the competitiveness of the enterprise, the authors of the document seem to assume that they are saved from the risk of ‘incorporation’ by the location of the planning process within a national interest framework.⁷⁵ Throughout the paper, it is repeatedly implied that workers have more commitment to and greater knowledge of the true national interest than employers. The commitment and enthusiasm of workers would be assured by the knowledge that their efforts represented a genuine contribution to the good of all.

⁷³ TUC 1979, p7.

⁷⁴ TUC-Labour Party Liaison Committee 1982, p5; emphasis added.

⁷⁵ The term ‘incorporation’ is used here in a sense common in trade union circles to mean the agreement of unions or union members to managerial aims and values.

Despite this carefully constructed framework of democratic planning, there remains an implacable suspicion of management. Even though it is made very clear that it would be impossible for a plan to be agreed without the agreement of the relevant unions at every stage and level of the process, these unions were nonetheless to be under no obligation to put their signature to the development plans agreed for particular enterprises. What is more, they retained their unqualified freedom to contest the implementation of these plans through local negotiation within the existing collective bargaining machinery. It is difficult to resist the interpretation that these plans would simply have expanded the trade unions' range of opportunities to block managerial plans to which they objected. It is difficult to see how any kind of positive participation in decision-making could have been promoted on the basis of the fantastically complex bureaucratic structures which were being proposed.

2.4(b) Worker participation: opinions on the Right

While, as we have already seen, the managerial commitment to pluralism was largely pragmatic, there was one particular aspect of it about which managers were entirely convinced. This was its unqualified assignment of the ultimate decision-making role to management in those areas which were not covered by collective bargaining. Neither the CBI nor the Conservative Party ever tired of repeating that it was the responsibility of management and management alone to determine the strategic and operational direction of the enterprise. The corollary of this was a commitment to the view that collective bargaining did *not* represent participation in management, not least, as the CBI argued, because "many of the decisions needed for improving efficiency lie wholly or mainly outside the industrial relations field."⁷⁶ There was, nonetheless, an established mode of involving unions and employees in these non-IR issues which was usually known as 'joint consultation'. A 1964 Conservative Party opinion on this issue represents a neat summary of the contemporary attitude to the respective roles of management and workers, and is hence worth quoting at length:

It would be a mistake to think that the only proper subject of discussion between trade unionists and employers are wages and conditions of labour... [however] [j]oint consultation does not mean that the workers in the firm should run the firm (or even necessarily have a say in running the firm). The idea that the workers as a body should make the decisions and determine the policy of the enterprise in which they work is a thoroughly different theory which is called 'syndicalism' and which in fact commands very little support. The management of an industrial concern calls for much too much

⁷⁶ CBI 1965, p17.

specialized knowledge and much too rapid decisions (*sic*) for such a system to be practical, apart from other objections to the theory. The idea at the back of joint consultation and certain other techniques of the same sort is something much simpler. It is that those who work in the enterprise should be *informed* about the enterprise, its policies and prospects, should be *consulted* on matters of concern to them and should be encouraged to *make suggestions*, particularly on those subjects where their immediate knowledge of the job as seen from the shop floor will be useful. But the task and the responsibility for making the decisions must lie with the management — after all, that is what they are there for.⁷⁷

Only on industrial relations issues, then, was joint decision-making appropriate. As we saw above, this could be conceded on the grounds that the scope of industrial relations is ‘wages and conditions of labour’, which is to say the contractual exchange between worker and employer. The terms of a contract obviously cannot be unilaterally determined by one party, and hence agreement is the appropriate means of proceeding. However, all other aspects of the management of the enterprise — which can be grouped together under the general heading of ‘efficiency’ — remain private matters for its owners and are the business of workers or unions only if management chooses to make them so.

Nonetheless, it was untenable simply to draw a line with the determination of pay, terms and conditions on one side and every other area of enterprise activity on the other and to argue that on this latter side managers’ status as the agents of the owners of the enterprise gave them the right to conduct themselves in whatever manner they pleased with respect to their employees. As Coates and Topham put it, there was never a ‘campaign for industrial autocracy’. Rather, the defenders of management prerogative were obliged to argue that it was in the interest of workers themselves that they willingly comply with the instructions of their superiors. Hence the idea of joint consultation as an educative process of information and explanation in which the principal aim is to help workers to understand the rationale of managerial actions. However this sits rather uncomfortably with the insistence that the *right* to make decisions about the activity of the enterprise is reserved exclusively to management. The obvious implication of this latter claim is that workers have a *duty* to obey which is not conditional on their agreement with what management is trying to do.

Throughout the long history of the debate on employee involvement and participation and regardless of the precise characteristics of the proposals under discussion, the underlying theme of the arguments put forward by the CBI and the Conservative Party has remained the same. This

⁷⁷ Conservative Political Centre 1964a, pp10-11.

is that the contradiction between managerial prerogative and the rights of workers is unreal in practice. Because managerial action is in principle always rationally defensible, the benefits of employee consent in terms of co-operative working relationships are (in principle) available without employees having the right to withhold that consent. This is not dissimilar to the pluralist faith that an agreement which is coherent with the public interest is always possible. However, whereas in the latter case the 'backstop' definition of the public interest is not the exclusive preserve of either side, in the case of the managerial conception of employee participation it is management which has the right to determine the interests of the enterprise and to insist on that definition even in the face of worker disagreement.

This careful avoidance of any concession that workers might have the right to disagree extended even to the rationale for participation. In the late 1960s and 1970s, the most common resort was to the idea of irreversible change in social attitudes. According to one Conservative Party official, the extension of full time education (to sixteen) and the increased employment security of the post-war period meant that workers were 'unwilling' to accept traditional types of authority in the workplace, wanting to know "not just what they have to do but why; and they want some say in how it is done."⁷⁸ Notice the absence of any consideration that workers might want some say in the 'what?'. In the 1980s and 1990s, the worker-referenced rationale for participative management changed to a market-referenced one. It was simply good business to have workers who were intellectually and emotionally involved in their enterprises. The caveats remained obvious, however. In a 1983 paper presenting the results of a survey of its members' views on employee involvement, the CBI reported that

We were frequently reminded that whilst the fostering of successful employee involvement processes yields a real and beneficial dividend, it does not in any sense act as a substitute for the need for management to manage...

It is fundamental to [the company's] approach to employee involvement that while the arrangements for consultation are designed to provide employees with the means of expressing views on matters of direct concern to them, they do not guarantee a right to be consulted on every decision before it is made, nor do they diminish management's ultimate responsibility for taking decisions and for managing the business.⁷⁹

⁷⁸ Abbott 1973, p4. The CBI took a very similar line in 1976, arguing that "people are now taught to question and to analyse. They are encouraged to seek greater involvement in all aspects of their lives — as citizens, as consumers and at work." CBI 1976a, p4.

⁷⁹ CBI 1983, p21.

2.4(c) Flexibility

There was an obvious need for some way of putting a gloss on this underlying message that workers should simply knuckle under and bend to the will of their employers. Absolute unilateral managerial control of industry simply could not be preached without some justification. In this respect, the concept of flexibility arrived at precisely the point at which it was needed. By the mid-1980s, the symbolically important early anti-union legislation had bedded in, and victory over the miners in the strike of 1984-85 would soon be in hand. The negative goal of 'defeating' the unions was no longer enough and there was a need for some concept which would capture the essence of the new unilateralist approach to industrial relations policy in the way that productivity bargaining had captured the institutionalist approach of the 1960s and 1970s. 'Flexibility' conveniently united national economies, the product and labour markets, the management of individual organizations, education, training and welfare policy and the behaviour of individual workers in a single theoretical whole at the core of which is a profound commitment to the practice of management as a technical profession whose body of knowledge relates the actions of the organization to the demands of an objective market.

(i) *The emergence and development of the concept of flexibility*

It is arguable that 1984 was the point at which the concept of flexibility in something like its current form emerged in the UK. That year saw the publication of two pieces of work, both of which have had an enduring effect, and both of which claimed to have identified important current trends. In Britain, John Atkinson of the Institute of Manpower Studies, a labour market research organization associated with the University of Sussex, published a report entitled *Manning for uncertainty — some emerging UK work patterns*. In the USA, Charles Sabel and Michael Piore published *The Second Industrial Divide: possibilities for prosperity*. Between them, these two pieces of work brought together most of the ideas which have since been (rather loosely) grouped together under the heading of flexibility. Piore and Sabel's concept of flexible specialization unites labour market and labour process restructuring with niche or custom marketing, all of which is supported by the increased versatility in design made possible by new production technology⁸⁰. Atkinson's work, on the other hand, is more focused on concrete labour management considerations. He identified functional flexibility (changes in job design and skills utilization), numerical flexibility (the co-existence within a single organization of secure 'core' and insecure 'peripheral' workforces) and financial flexibility (the adjustability of employment costs in response to labour market supply and demand) as important developments in the management of the organization's human resources.

⁸⁰ Smith 1989 cited in Legge 1995, p142.

The concept caught on very quickly. Whereas an important textbook on British industrial relations first published in 1983 makes no mention of flexibility,⁸¹ in 1986 the labour editor of the London *Financial Times* commented that flexibility, as theoretically supported by Atkinson, was ‘the key labour market concept of the 1980s’.⁸² By 1987, David Guest had included flexibility as one of the four elements in his highly influential theoretical model of human resource management.⁸³ On Guest’s definition, the concept of flexibility covers job design and, logically enough, organization design, but crucially also includes employee attitudes and motivations. On this account, the role of managers extends beyond the construction of the flexible firm to the construction of the flexible *employee*. The inclusion of the subjectivity of the employee seems to reflect the influence of the American ‘organizational culture’ school. Guest — whose academic background is in occupational psychology — extends the reach of the concept of flexibility beyond the sociologically-oriented labour market and labour process arenas into the territory of individual action orientations.

By 1992, John Storey was able to conclude that “So well publicized has been the idea [of flexibility], that along with the concept of the ‘enterprise culture’ it could almost stand as a leitmotif for the decade of the 1980s. Managers at all levels appear familiar with the idea and seem, moreover, to believe that they and their colleagues are, in one form and another, driving it forward.”⁸⁴

(ii) *Flexibility: a conceptual clarification*

The various developments in managerial thought which we discussed above coalesce into three general propositions about the relationship between organizations and the market which are clearly reflected in the approach of Government and the CBI from the mid-1980s on. The first is that the possibility of competitive success will be maximized if the internal configuration of an enterprise — its structures, processes, products and above all the size, characteristics (skills, attitudes etc) and mode of deployment of its workforce — match or are congruent with or reflect that enterprise’s market environment. The second is that we live in a time when, for most businesses, the market environment is unstable and characterized by intense competition. Putting this together with the first leads to the third proposition, which is that a business organization will be competitive to the extent that it is able quickly, smoothly and appropriately to configure and

⁸¹ Bain 1983.

⁸² Bassett 1986, p95.

⁸³ Guest 1987.

⁸⁴ Storey 1992, p15.

reconfigure itself internally in response to changes in its environment. While this reconfiguration can and should encompass business and marketing strategies, products and production systems, capital investment etc., the focus will tend to be on the human systems of the enterprise.

To facilitate this reconfiguration, flexibility is what is required not only of organizations, but of the society in which they exist, and of the people who work in them. Flexibility is a characteristic of the economy, encapsulating the idea of a national economic system which provides the best possible conditions for the global competitiveness of business and industry located within that economy. Perhaps the most important feature of such an economy is its ability to absorb the pressures both of internal growth and external shocks without the need for Government resort to fiscal or monetary measures which are damaging to competitiveness or to tariffs, exchange or import controls, or other protectionist measures.

A key aspect of the flexible economy is a flexible labour market, i.e. one free of institutional or other rigidities, where price signals are clear, labour is mobile (both geographically and in and out of employment), wages move down as well as up in response to fluctuation in demand, and shortages or surpluses of particular types of labour are quickly remedied through the easy availability of effective training and retraining.

A key aspect of the flexible labour market is the flexible organization, i.e. one able to respond quickly and effectively both to product and labour market signals. The flexible organization is characterized by two overlapping features. First, the relationship between its managers and workforce, that is the managerial ability unilaterally to design and implement working practices and 'remuneration systems' and to recruit, dismiss, deploy and redeploy staff to whatever extent and in whatever manner they wish without this being the cause of conflict, whether manifest or latent. Second, within the flexible organization, the labour costs which employers are committed or semi-committed to meeting — whether in the short, medium or long-term — are minimized through the use of a variety of forms of non-permanent, non-full-time employment contract.

A key aspect of the flexible economy at all levels is the flexible worker. The flexible worker understands the nature, benefits and inevitability of the market economy. Consequently, s/he recognizes that the road to security is employability, expectation and attitude rather than a job for life. The flexible worker is mobile, multi-skilled, expects to have a 'portfolio of careers', understands and does not resent the business realities of short-term contracts, performance related pay and occasional wage cuts and is prepared to train and retrain as many times as necessary.

The idea of flexibility, then, represents an extension of the idea of responsibility in bargaining, that is of the idea that markets can supply the motivation for socio-political action. Flexibility extends the public interest duty of responsible behaviour beyond pay bargaining to

include the whole employment relationship. Since it is assumed that any ‘rigidity’ at any level will prevent the economy from functioning as envisaged in the theories of the neoclassical economists, the policy aim is not just to dismantle the institutional obstacles to the functioning of the market, but also the behavioural ones. The flexible worker, indeed, is the most important part of the picture, being the theoretically perfect economic actor whose attitudes and action orientations are such that s/he will conform to the demands of the market without demur, whatever those demands might be. In a society of flexible workers, therefore, the aim is to ensure that social action and the structural forces of the economy are perfectly integrated.

A particularly good example of the working through of this logic is to be found in a CBI publication dating from the mid-1980s. Having traced the objective need for the flexible use of labour to the need to optimise the return on investment in high technology equipment and to the increasing demand from consumers for round the clock services, and having defined flexibility as the use of “variable work hours, part-time and shift working, sub-contracting, self-employment and home working”, the authors of the pamphlet go on to recognize that these sorts of practices make it “difficult to ensure that employees feel committed to and involved with the enterprises for which they work. Yet we believe that such involvement is essential to business success”.⁸⁵ To square this circle, there is a need to ‘dispel’ the attitudes of alienation which tend to accompany flexibility practices. The solution they propose involves education to help people ‘understand business’ (that is, to understand *why* their employer is obliged to use flexibility practices); financial incentives, both stick (performance-related pay) and carrot (a direct financial stake in the enterprise); and the encouragement of a sense of identity with the firm through the organization of employee representation on a company rather than occupational basis. The flexible worker, then, is one who is objectively insecure but who does not feel it.

(iii) The Conservatives and the rhetorical use of the concept of flexibility

The 1985 green paper *Employment: the challenge for the nation* was arguably the first official document coherently to express the position the Conservatives had been edging towards with increasing confidence over the previous six years and, not coincidentally, was the first to use the concept of flexibility in the sense outlined above.

There are a number of features of the argument in the green paper and the policy papers on industrial relations and employment which were to follow over the remainder of the Conservatives’ period in office which suggest that the pursuit of flexibility was as much a political project as a technical one. Inflation and unemployment remained the central economic

⁸⁵ CBI 1986, p21.

problems confronting the Government, and it was committed to a position which linked employment with wage levels. There was little possibility by this stage that unions could be blamed for bidding up earnings growth beyond an economically sustainable level. After all, they had been ‘defeated’ by the Government. The labour market, now operating without the rigidities associated with powerful trade unions, should have been clearing because, as the green paper argued, there was no lack of *demand* in the economy. Unemployment nonetheless remained stubbornly high and this was clearly related to the similarly stubborn tendency of nominal wage growth to outstrip inflation.

Not surprisingly, then, an important focus of the paper was the control of earnings growth, but there was no possibility that the Conservatives would or could consider introducing an incomes policy. It was axiomatic that individual enterprises needed to be able to set pay as they saw fit, including awarding substantial pay increases if the market demanded them. On the other hand, both the control of inflation and the reduction of unemployment needed not *flexible* but *modest* pay increases all across the economy. Zero or low real wage growth within an expanding economy would free up employers to increase employment.

This is where flexibility as a purely technical solution to economic policy problems connected to the labour market gets into difficulties. Controlling pay in the more successful sectors of the economy where the possibilities for job creation are highest is likely to be very difficult. Even if the supply of appropriately skilled labour is adequate so that wage levels are not pushed upwards due to competition for workers — a very big if — successful enterprises are still very likely to experience pressure for wage increases from within. Simply encouraging enterprises to set pay as they see fit will not help.

The paper’s authors recognized this. They argued once again that setting pay in response to market signals was a *responsibility* which bore on those involved, whether employers, workers or unions (para 5.5), the clear implication being that if market signals were being correctly translated into action in the enterprise then pay growth would be lower. But within the terms of the neoliberal economic paradigm, to talk of responsibility makes no sense given the absence of artificial barriers to decision-makers’ ability to interpret and act on the signals coming from the market environment of the enterprise. It ought not to have been possible to make a wrong decision, but the argument in the paper makes it very clear that in the view of the Government the wrong decisions *were* being made. By ‘responsibility’, the paper in fact meant ‘restraint’.

The paper did not make it clear, on the other hand, whether this need for responsibility/restraint in pay-setting was temporary, to persist only until the labour market could be freed of the rigidities which persisted (although the reader is left in no doubt that not all in the garden was rosy, particularly when it comes to skills availability), or whether the argument is that

even in the absence of rigidities it is still possible to make the wrong decision — that there is a ‘right’ and ‘wrong’ reading of the market. On balance the message appears to have been the latter. The price of labour needed to be ‘right’ and, from the context of the discussion, the price would finally be right when the labour market cleared, i.e. when unemployment fell to a tolerable level. For the individual organization, however, this is not flexibility. Rather than ‘do what the market tells you’, the message from Government was ‘do what *we* say the market tells you’.

This apparently paradoxical position can be explained by a consideration of the Government's wider political objectives. As well as the pursuit of economic goals, at least one of the aims of the Conservatives in so enthusiastically inscribing flexibility on their banners was to respond to the demands of what was for them a key constituency, i.e. employers and managers, particularly in small and medium-sized enterprises. The primary demand from this group was Government action to maintain and increase their control over their employees.⁸⁶ The concept of flexibility does not immediately lend itself to the support of this demand. It is a way of encapsulating the argument that business and industry should be organized according to the demands of the market, but this in itself it carries no necessary implication that *managers* have all the answers. There are any number of ways in which an organization might set about interpreting market signals and deciding how to reconfigure itself in response to them. These are not necessarily inferior, and may even be superior to handing the task to a limited group of specialized employees. The argument equating flexibility with management control requires a extra step (usually latent or implicit) which is that it is managers and only managers who are in a position to interpret the demands of the market. As we noted above, the assumption underpinning the policies of the Conservative Governments was precisely this, i.e. that management was a technical profession like any other and that, beyond the definition of certain basic parameters, attempts at social or political control of its activities were pointless and damaging. Accepting the need for enterprises to react to market signals meant accepting the need for flexibility which in turn meant accepting that managers should be in control.

The Conservatives’ policy, then, appears to have been to encourage managers to assert their authority, and simply to hope that they would respond to the message that low wage growth was of national economic importance and that managers were the only group who could be trusted to understand this and make it a reality. While this is not flexibility, the concept was nonetheless immensely useful as it provided a way of justifying further shifts in the balance of

⁸⁶ The CBI argued that there were two major tasks for management: first to secure the primary allegiance of the employee to the company ‘by making making more explicit their long-term interest’; and second to be prepared to manage — to check unreasonable and irresponsible behaviour at source (CBI 1980, chapter 3). This is an argument that the task of management is to control: managers should have the ability to solicit willing co-operation wherever and however this is possible, together with the ability to prevent overt or manifest conflict where it is not.

power to employers at the expense of both individual employees and trade unions. This unquestionably paid political dividends, and there was at least the possibility that managers would respond to the call to keep the lid on earnings.

As it turned out, while flexibility turned out to be an immensely popular concept among employers,⁸⁷ the policy did not prove to be particularly successful in terms of its economic aims. Earnings in the private sector continued to grow at a level higher than the Government wished to see, although strict control of pay increases in the public sector balanced this to some extent. Demonstrating either the depth of the ideological commitment to free market economics or the recognition that the political returns of the policy were too good to lose or perhaps most probably both, the response to this failure was to take the logic of flexibility a step further. In later policy papers, we see the emergence of the view that collective pay determination is likely to be damaging in and for itself. The tone of the policy papers which introduced the early attacks on trade union prerogatives had been almost regretful — some bad apples obliging the Government to take action in order to ensure that the system worked for those prepared to act responsibly — but after 1985 policy is increasingly hostile to collective bargaining *per se* as a means of setting pay and conditions. By 1992, it was being argued that “There is a new recognition of the role and importance of the individual employee. Traditional patterns of industrial relations, based on collective bargaining and collective agreements, seem increasingly inappropriate and are in decline.”⁸⁸ Employers were encouraged instead to introduce flexibility in internal pay systems, relating pay not solely to the performance of the enterprise but to individual employee performance.

It is worth noting in conclusion that throughout all of the attacks on trade unions and collective bargaining, and all the strenuous efforts to ensure that managers were in control, the issue of employee participation did not go away. That it remained impossible for the Conservatives openly to argue for ‘industrial autocracy’, as we have already noted, shows the strength of the essentially ethical argument that workers should not simply be subject to the authority of management with no possibility of making any contribution to the decision-making process in their enterprises. Predictably, though, there was never any suggestion that employee participation would or should imply a significant loss of managerial control, the ostensible reason for participation being that it improved the performance of enterprises. In fact, by 1992 the argument was essentially that the Government had cleared unions from the industrial scene and

⁸⁷ In 1992, Storey reported that “Managers at all levels appear familiar with the idea [of flexibility] and seem, moreover, to believe that they and their colleagues are, in one form and another, driving it forward.” (Storey 1992 p15)

⁸⁸ GB: Department of Employment 1992, para 1.15

that employers need no longer fear that by involving their employees in decision-making they ran the risk of increasing union power.⁸⁹

⁸⁹ See, for example, GB: Department of Employment 1992, chapter 5.

Chapter 3 Post-pluralist IR: constructing a role for the unions in the face of management unilateralism

The problem for the British Left in the years following the 1983 general election was how to make the case for worker and especially union involvement both in enterprise decision-making and in the development of social, economic and industrial policy. The Conservatives had deemed that the unions had no role in these areas by defining the public interest in purely economic terms; as something susceptible to technical analysis and prescription rather than being the outcome of political processes of negotiation. However, because the role of the unions in these areas had been so widely accepted for so long, there had been little recent thought in the labour movement about how that role might be justified in the face of a serious challenge. What seems to have been realized after 1983 was that the challenge was indeed serious, and that the time had come to face it rather than to continue constructing contorted arguments about how to implement industrial democracy and economic planning whilst preserving the ability of individual unions to engage in opportunist bargaining. From a focus on the ‘how?’ of union involvement, attention shifted to the ‘why?’.

Although it was some time before the pre-1983 policies on planning and industrial democracy were formally abandoned, there was an immediate change in the tone and presentation of policy. Perhaps most notably, the role and value of management was once again recognized, having been ignored for most of the previous five years. On the linguistic level, the adoption of the words ‘competitiveness’ and ‘partnership’ (referring to unions and managements rather than unions and government) were further symbols of the tacit concession that the economic aspects of the public interest had been undervalued. In terms of the substance of the argument, what soon emerged was an essentially pragmatic, reactive line of attack in which the emphasis was placed on how the management of enterprises could be improved by involving workers and unions in decision-making. It is notable that relatively little attention was devoted to discussing the precise form that that involvement would take.

3.1 PRAGMATISM & EMPIRICISM: THE DEFENCE OF PLURALIST IR

The primary emphasis of the British TUC and Labour Party argumentation from the mid 1980s to the mid-1990s was on the damage which Conservative and management policies were doing to an economically-conceived public interest. There were two key arguments, both arising from the long-established pragmatic or empirical defence of pluralist industrial relations. The first, as we have already noted, referred to the likelihood that the basic conflict of interest between workers and employers meant that unilateralist management would almost certainly lead to industrial

conflict. “Even where employees appear to be in a weak bargaining position”, argued the TUC, “it should not be assumed that they will meekly acquiesce: on the contrary, such situations can lead to damaging industrial disputes.”¹ The second argument was aimed more directly at the demand for flexibility. While it was recognized that the commitment, enthusiasm and involvement of workers was crucial to the success of industry, this was to be achieved via involving them in decision-making rather than encouraging the use of the doublethink of flexibility to gloss over autocratic management and objective insecurity.

If the partnership [of government] with industry is to be truly effective, there must also be a partnership within industry. The skills of enthusiastic employees are just as important to an enterprise as its fixed capital. It makes sound business sense to take account of their ideas and build their commitment, particularly in a period of rapid technological change and innovation.

We believe it is vitally important that employees should have a say in the process of industrial change and innovation. Partnership in industry is a way of building commitment to change and avoiding wasteful and damaging conflict. It is also a way of harnessing the skills and enthusiasm of the workforce and helping workers and their trade unions to play a constructive role in industrial decision making.²

Arguments like these were repeatedly put forward both by the TUC and the Labour Party during the long period of Conservative government, changing little in substance over the years and representing the left’s most consistent line of attack. The TUC proved itself particularly adept at the production of technical critiques of government policy on manufacturing industry, deliberately adopting a ‘commonsense’ tone in reaction to the often jargon-laden and self-contradictory argumentation to be found in official policy papers. Despite the quality of this criticism, however, its political impact was limited. While we are not in a position adequately to support this claim, we would suggest that the lack of impact was due to the critique’s very pragmatism; its lack of any grounding in a distinctive alternative conception of the relationship between the socio-political and the economic aspects of the public interest. In short, in the absence of the AES, the Left had no ‘big idea’ to oppose to the dominance of economic liberalism, offering at best merely an improved version of the existing recipe and, crucially, leaving more or less unchallenged the idea that the public interest could be defined in terms of the performance of enterprises.

¹ TUC 1984, p38.

² Labour Party 1987, p14.

3.2 FUMBLING FOR A BIG IDEA: THE SEARCH FOR A NON-CONTINGENT CASE FOR TRADE UNIONISM

In themselves, the concession of greater importance to economic factors and the *de facto* acceptance of the industrial policy agenda set by government — the improvement of the international competitiveness of British enterprises — were perfectly compatible with a continued commitment to pluralism. Indeed, they arguably represented a *return* to pluralism after a period in which the headline policy of the left was almost syndicalist in its claims for union influence and control. In contrast to the position in the late 1960s, however, this renewed pluralism was confronted by the unequivocal and aggressive unitarism of the neoliberal Right.

As we saw in Chapter 1, while it is always possible to use empirical evidence to support the claim that pluralist modes of industrial relations produce better results in practice, pluralism cannot provide an adequate *theoretical* response to the claim that social and political interests must take second place. Instead it simply counterposes an alternative way of conceptualizing the enterprise which in the abstract has no greater validity unless it can clearly be shown that workers and employers represent different social groups with fundamentally irreconcilable aims, values and interests. But the very fact that the Left was engaging in an argument about how best to improve enterprise performance implied that a line could not easily be drawn between the economic and the socio-political aspects of the public interest and hence that there was at least a large area of overlap between the interests of employers and those of workers. The thrust of the Left's argumentation about industrial relations in this period was not that the inclusion of workers and unions in decision-making was desirable in and for itself, but that enterprises and the economy as a whole would perform better if certain union-inclusive policies were adopted. Certainly, caveats to the effect that the gains of improved performance should be fairly shared were not uncommon, but the underlying message was that the public interest was unitary and that it was embodied by the improvement of enterprise performance rather than by worker self-organization *per se*. Flanders' argument that unionisation is categorically necessary was conspicuous by its absence.

This would not have been so problematic had the pragmatic case for trade unionism been more convincing, at least on the political level. Trade unionism, however, was still firmly associated with the economic problems of the 1970s, problems which were at this stage very recent memories. What is more, the longer the Left was out of power, and the more that trade union influence in the workplace was eroded, the more difficult it was to argue that trade unionism was essential to enterprise performance. The gradual improvement of the economic outlook — regardless of its true causes — gave the Right plenty of opportunity to claim that

unions were outmoded and that other forms of participation and involvement produced better results. It seemed that if the unions were to have any chance of regaining their influence, they would have to construct a powerful normative case for workplace trade unionism which was not premised on the old assumption of fundamental conflicts of interest.

3.2(a) Individual rights: the union as useful but optional

One way of attempting to build such a case was to begin with the individual rights of employees. An argument could be made on the basis of well-established principles of natural justice that employers could not require just anything of their employees simply because there seemed to be an economic requirement for it. This argument was encapsulated in the twin ideas of fairness and minimum standards at work. The idea that the employment relationship should be ‘fair’ was obviously not a new one, but up until the mid-1980s the word had been almost exclusively associated with wages or earnings. It referred to how the material *outcomes* of enterprise action were divided between capital and labour. The new sense which it took on after 1987 — particularly in Labour Party policy — was much more closely related to the *conduct* of the employment relationship.

The need to legislate in support of ‘fairness’ was premised on the inequality of employers and employees: “[W]e aim to provide all workers with a fair deal at work, by providing clearly defined basic rights for everyone. Our starting point is the recognition that the employment relationship is *not* equal; that, in the absence of statutory and trade union protection, the employer is in a far stronger position than the individual employee.”³ Fairness, then, was a question of giving individuals certain rights within the employment relationship. We have already mentioned in passing the trade unions’ traditional suspicion of statutory rights for workers, but this was something which had been ebbing away for some time, as evidenced by the wide range of individual employment rights which were introduced by the Labour Governments in power between 1974 and 1979. However, while in the 1970s these rights had been seen as a useful supplement to collective bargaining, by the beginning of the 1990s statutory protection for individual workers was at least as important an aspect of the industrial relations policy of the unions and the Labour Party as the restoration of collective rights to consultation and negotiation.

The TUC had recognized as early as 1986 that it was no longer possible to assume that voluntary negotiation could provide the principal means of protection for all workers. The language was, as usual, very cautious but the point was clear enough. While it had in the past “welcomed and sometimes promoted” certain statutory measures like the unfair dismissal, health

³ Labour Party 1988, p10.

and safety and anti-discrimination legislation, it had also “been careful that the process of voluntary negotiation should not be disrupted. Nonetheless, the fact is that the law is in industrial relations and cannot now be excluded... The TUC’s approach to the law in industrial relations has therefore been increasingly pragmatic.”⁴

In the same paper, rather more importantly, it was recognized that minimum standards in employment were categorical, not contingent on their contribution to economic performance: “The Government ... sees employment protection and other legislation to give basic safeguards to workers as an interference with the free market. The role of arbitration and legal minimum standards has therefore been severely reduced, since the fair labour standards these are designed to ensure are not determined by the free market.”⁵ The point should probably not be pressed too far, but it is interesting to note that this latter admission carries the implication that workers’ rights are derived directly from valid norms rather than being a consequence of their bargaining strength. This in turn implies that the role of the unions is not to articulate the collective interest of a particular social group, but to act as an enforcement agency for certain legal norms relating to employment. The union is conceived as the agent of workers who choose to act collectively in pursuit of essentially individual interests — the principle of association being mutuality rather than solidarity.

The idea that it was the role of the unions to enforce workers’ legal rights was, for a period in the late 1980s, quite a frequent one in the Labour Party discussions, but it is notable that it was not so common in TUC argumentation. In a major post-election Labour Party discussion paper, for example, we find the following statement:

The trade unions will have an essential part to play in the 1990s. It is a basic right for individuals to be able to join a trade union in order that, together, they can achieve a fairer balance for workers against the power of employers. Most people in Britain believe, rightly, that trade unions are essential to protect individual employees and improve pay and working conditions. Giving individual workers new legal rights, as we propose, will only work in practice if those rights can be easily enforced; and the support of a trade union is, in practice, the most effective way for an individual to secure their legal rights at work.⁶

⁴ TUC 1986, p3.

⁵ *Ibid.*, p4.

⁶ Labour Party 1988, p10.

The logic of the argument, however, was such that it was difficult to maintain the position that unions were *essential* to the maintenance of fairness and the enforcement of minimum standards. What is abundantly clear is that the unions were not conceived as the mobilised working class. Worker self-organization was not in itself the counterweight to the inequality of the employment relationship.⁷ Rather, it was the law which protected the individual worker. Trade unions were enforcement agencies, external rather than a party to the employment relationship, to which workers could choose to subscribe. Regardless of whether trade unions were the ‘most effective way for the individual to secure their legal rights’, then, they were clearly not thought to be the only way. By 1996, this logical development had become very clear in Labour Party policy:

[minimum standards of fairness], we emphasise, are based on the notion of individual rights. Of course, some of these may be realized through trade unions and many will, rightly, see membership of a trade union as of benefit to them. But that will be a matter of individual choice. The old approach of trade union immunities as the basis for legislation has gone.⁸

Two years later, with Labour now in government, we saw the fully-developed position. Trade unions are third parties to the employment relationship, their presence in an enterprise being dependent on the choices made by workers and more particularly employers:

In modern businesses relationships at work are flexible and tailored to the size and culture of the company or organization. Sometimes they are provided by a partnership between employers and trade unions which complements the direct relationship between employer and employee. On the other hand, some organizations achieve effective working relationships in other ways.⁹

While the Labour Party’s increasingly lukewarm support for trade unionism was at least consistent with a firm belief in certain absolute but individual rights and standards in the employment relationship, the TUC seemed unable to come up with a coherent principled

⁷ Although there is evidence that this view persisted in the unions. The TUC, for example, opened an important 1991 paper on union recognition with the very old-fashioned argument that “Effective trade unions are an essential pillar of a democratic and civilised society. The influence of the *individual* employee is negligible when set against that of an employer. Only the collective organization of an independent union can provide any effective counterweight to the power of an employer”. TUC 1991b, p2; emphasis in original.

⁸ Labour Party 1996, p1.

⁹ GB: Department of Trade and Industry 1998, para 2.5.

argument. Obviously not so willing to argue or imply that unions were optional, and more deeply steeped in the tradition of pragmatic pluralism, it was guilty of emphasising the ‘business case’ for employee rights at the expense both of the normative case for those rights and of its ability to establish that trade unionism was defensible in and for itself. The following extracts from papers from 1995 and 1996 illustrate the TUC’s habit of mixing categorical and contingent reasons for workers’ rights. In 1995 it was asserted that:

A different approach is needed which recognises that a framework of minimum labour standards, including a national minimum wage, is a necessary condition of economic success. In the absence of public policy intervention of this kind, the worst employers will continue to take the ‘low road’ to competitiveness. The purpose of a framework of minimum rights is to act as a spur to investment and innovation in high pay high productivity firms producing high value added goods and services...

Discussion of the minimum wage has been dominated by economics recently, but no one should forget the moral case. As the case studies in this report demonstrate, there is real exploitation taking place in Britain which is unacceptable in a wealthy developed country. Trade unions, employers and government should all be concerned about the effect of low pay and poverty upon social cohesion.¹⁰

The TUC’s message in 1996 was much the same:

In the absence of basic guarantees of fair treatment many employees effectively surrender their human rights when they cross the threshold of their workplace. Minimum standards are also necessary to build the long-term relationships built on trust that Britain needs if competitiveness is to be improved. In an information society employers’ most precious assets are the skills and talents of their workers. Employees will only be committed and motivated if they are treated with concern and respect.¹¹

3.2(b) Employee voice: individual and collective rights to representation

The area of employee voice was one with which the TUC seems to have felt altogether more comfortable, even though here too the business case was made much more strongly than the argument from democratic principles. To start with the latter case, it is clear that the unions did not feel that there was much to add to what they had been saying for generations. In 1995, the argument was that “[i]n Britain today, when citizens enter the workplace they leave their

¹⁰ TUC 1995a, p1.

¹¹ TUC 1996a, p3.

democratic rights at the door. Basic rights, such as those endowed to people as consumers or voters, simply vanish in their working relationship.”¹² This is more or less indistinguishable from the position put forward in the late 1960s: “Half the working life of an individual is spent at work and what occurs there fundamentally affects him and his family... The worker has a voice in the political and social life of the country, he has a vote to use in elections, but too often he has little say in issues of more immediate and direct importance to his well being.”¹³ The one area in which it is possible to identify a difference of emphasis is the level at which the solution was proposed. The mid-1990s TUC devoted considerable thought to individual rights to representation, whereas the emphasis in earlier documents is firmly on the collective level.

This is not to say that within the union movement the collective level had been dismissed as unimportant. Far from it. Indeed the right to union recognition is arguably what secured the financial and moral support of the trade unions for the Labour Party in the face of its rapid backing away from its association with them in the wake of the election of Tony Blair as party leader in 1994. Nonetheless, if we are right in suggesting that by the mid-1980s it was no longer viable to base policy arguments on the existence of a clear distinction of values and interests between workers and employers, then we would also expect it to be much more difficult to make the case that collective bargaining ought to be the principal means by which the relationship between unionized workers and their employers should be conducted. The only basis for making an argument that social relationships should be bargained as opposed to conducted via some more substantive discursive mechanism is the existence of fundamental and irresolvable conflicts of interest.

These potential difficulties are clearly reflected in the TUC’s post-1983 argumentation. In fact, when it was ostensibly making a case for collective bargaining, it was in fact simply making a case for union involvement in enterprise decision-making. There is little evidence of any argument that this involvement should be on the basis of *bargaining*. Such arguments were certainly missing from the discussion of proposals for compulsory union recognition which went on in the years prior to the eventual victory of the Labour Party in the general election of 1997. The TUC largely followed the Labour Party practice of conflating trade union representation and employee involvement:

The case for collective bargaining... involves advocating the positive case for worker involvement in a wide range of management decisions in order to secure the workforce’s

¹² TUC 1995b, p5.

¹³ TUC 1971b, p6.

commitment and confidence. Union membership and participation gives workers influence on these matters, an influence which can play a part in keeping management on its toes, civilising relationships, providing procedures for change and improving performance.¹⁴

There is nothing in this to suggest that the involvement of trade unions themselves is a necessary element in establishing worker influence in the enterprise. Rather more effective in this respect were the arguments for an *independent* worker voice which appeared in the second half of the 1990s. Having argued that without an employee voice, “employers cannot engage in effective dialogue with employees, communication becomes top-down and self-fulfilling (sic), the organization fails to learn from those who really know about the job and employee commitment is weak”, the TUC put forward three reasons why it was important that that voice be independent of the structures of the enterprise:

First, employees are more likely to trust that their voice will be properly articulated and heard, without distortion or sanitising.

Second, they are more likely to feel that their position and contribution is being properly respected in arrangements that enable them, when all is said and done, to say “no” than in arrangements that appear to be employer controlled. Improvements in performance and productivity will often require employees to “let go” and involve themselves in radical changes in practices and behaviours. The involvement of their trade union in the change process helps create the conditions of trust required for them to get involved in this way.

Third, the independent nature of the voice that trade unions provide helps ensure that the employer receives frank and dispassionate feedback on their plans and proposals.¹⁵

Certainly, this could be construed as a business case — indeed, the argumentation is largely taken from a 1997 paper entitled *Take your partners: the business case for an employee voice* — but a small but important development in the argument is suggested by the almost throwaway remark about workers’ ability to say “no”. Behind this remark are two crucial assumptions. The first is that it is only in bargaining that the right to say “no” is clearly established. The second is that, for the overwhelming majority of workers, *collective* bargaining on the basis of union membership is the only kind of bargaining about the terms of their

¹⁴ TUC 1991b, p3.

¹⁵ TUC 1999, p12.

employment relationship in which they are not at an enormous disadvantage. This leads us back to the idea, expressed in a variety of forms over the years and, as we argued above, wholly rejected by the neoliberal Right, that there must be some kind of *guarantee* that non-economic, social and political priorities are given appropriate weight in decision-making, whether in national-level policy development or in individual enterprises.

3.2(c) Trying to say “no” to employers: the National Economic Assessment, the Stakeholder Economy and Social Partnership

There were three policy initiatives on the left which we can interpret as attempts to define a role for the trade unions in placing limits on management’s freedom to take decisions, the idea being that this would help to ensure that the actions of enterprises were coherent with the public good. These were to be applied at three different levels; the national level, in economic and social policy development; the enterprise level, in terms of corporate governance; and the level of the day-to-day relationship between employees and management in the workplace.

(i) *The National Economic Assessment*

Among the still relatively radical policies which the Labour Party took into the 1987 general election was the proposal for a National Economic Assessment (NEA). Endorsed by the TUC, the idea was descended from the proposals on economic planning and industrial democracy which had been produced by the TUC-Labour Party Liaison Committee in the early 1980s. Among the less bizarre of the policies which had emerged in that period, the National Economic Assessment would essentially have represented the determination of the public interest parameters for collective bargaining. It is important to note that as originally proposed, the NEA would be a negotiated agreement. It would “reflect at national level the methods and objectives of collective bargaining”.¹⁶ Employers, unions and government would sit down and hammer out a deal on prices and earnings (which was not, of course, an incomes policy) for the year ahead.¹⁷ Obviously, then, all parties had an effective right of veto over the conclusions of the Assessment,

By 1987, however, the NEA had become more inclusive — it was to include local authorities and consumer representatives — but less a bargaining process. Described instead as a process of “consultation and review”, it was to involve the development of a set of guidelines for

¹⁶ TUC-Labour Party 1983, p14.

¹⁷ “A National Economic Assessment reached on the basis of collective bargaining will be sustained by mutual self-interest. Both the *Government* and the *trade union Movement* will be anxious to maintain the momentum on jobs and steady progress on living standards, and yet both will also be concerned that their policies do not result in disruptive inflation or balance of payments crises. *Employers* in turn will know that this will provide a framework for the steady development of competitive and profitable activities. All will know the part they have to play in achieving the agreed objectives, and the consequences of failure.” TUC-Labour Party 1983, p17; emphasis and capitalization in original.

employer and trade union action based on a semi-technical analysis of the economy. In this later version it is not at all clear that the public interest would or could be defined via bargaining, although in fact the precise means by which decisions would be taken was not specified. Nonetheless, it was still obvious that the point of the exercise was to define a public interest as against the private interests of the owners of capital:

The managers who make investment decisions in British industry have a responsibility to their companies to make investments which are both prudent and profitable from the point of view of the company. That responsibility may, or may not, accord with the responsibility of the government to implement an economic strategy which is in the best interests of the nation as a whole. A company may, for example, decide that it is in its best short-term interest to increase its portfolio investment abroad, or to cut investment in training or research and development, or not invest at all. But the interests of Britain, and of all the companies in Britain taken together, will best be served if that company, together with other companies, expands productive investment.¹⁸

Again, nothing specific was said about the means of enforcement, but it is clear from both Labour Party and TUC papers that remaining within the parameters established in the assessment would be essentially voluntary.¹⁹ We could argue, then, that the shift away from bargaining as the process by which agreement was reached was understood as implying a shift towards a more interpretative, less concrete type of agreement in which the parameters of action were much looser. Nonetheless — and this too is consistent with a move away from bargained processes of reaching agreement — the NEA was envisaged as possessing a certain moral authority as well as assisting the development of a shared understanding of the economic circumstances:

The very process of involvement of the various parties will permit a shared understanding and so a greater joint commitment if not detailed unanimity. Participation in the Assessment will, of course, be voluntary and the exercise of influence will naturally depend on the extent of involvement. A decision not to participate would obviously result in the loss of the opportunity of consultation in the process of formulating and applying national economic policy.²⁰

¹⁸ Labour Party 1987, p8.

¹⁹ Labour Party 1987; TUC 1987.

²⁰ TUC 1987, p11.

Between the 1987 and 1992 general elections, proposals for the NEA process developed further, beginning to look rather more like a proposal for concertative economic and social policy-making on the continental European model. Certainly the approach was cautious, and the TUC in particular made it clear that that pay norms were not on the agenda, but nonetheless it had been agreed that collective bargaining would be “informed by the Assessment’s results”.²¹ The Labour Party even suggested “the possibility of establishing a more co-ordinated approach to collective bargaining itself”.²² It is interesting to note in the light of later developments Labour Party policy, however, that while the TUC insisted that the Assessment would consider both the economic and social aspects of policies relating to industry — workers’ rights, training, structural change etc. — Labour describes the point of the NEA as being “to consider together our level of competitiveness within Europe and world markets”.²³ Further, exactly how employer decision-making would be affected by the NEA, if at all, remained very hazy. While there may have been some intention to constrain the choices available to management, it was rather less obvious than the intention to indicate the economically optimal parameters for pay bargaining.

(ii) The stakeholder economy

After the 1992 election, the NEA and any notion of concertative policy-making quickly disappeared to be replaced by the idea of the ‘stakeholder economy’. In a certain sense, this marked yet a further step away from the idea that workers should have a right of veto over employer actions. Rather than insisting on employee rights to participate in decision-making, both the Labour Party, and perhaps more surprisingly the TUC simply concentrated on the idea that employers should have to demonstrate that they took employee and community rights and interests into account in their otherwise unilateral decision-making. This involved the outright admission that it was up to employers to make the final decision. Employers, proposed the TUC, should have the legal duty to consult with their employees on all major issues but this would not be associated with any kind of right of veto: “Consultation should be with a view to agreement on both sides. The employee view should be carefully considered in good faith, and should influence, *if not determine*, the final outcome.”²⁴ The other aspect of the TUC’s version of stakeholding was the redefinition of the statutory duties of company directors. It was proposed that directors should have a duty to take the interests of employers, suppliers and customers into

²¹ TUC 1991a, p22. The TUC described the proposed NEA as a “possible institutional change in the annual round of collective bargaining.” TUC 1991c, p10.

²² Labour Party 1991, p12.

²³ *Ibid.*

²⁴ TUC 1996b, p41; emphasis added.

account in their decision-making, as well as those of shareholders. Again, though, there is absolutely no suggestion that in the final analysis it is not the exclusive right of directors and other managers to decide.

Despite being rather less radical an idea than the NEA, the stakeholder economy was a short-lived policy, not even making it as far as the 1997 election manifesto. The Labour Party leadership appears to have judged that even the very limited encroachment on managerial freedom which had been proposed may have upset the still-precarious relationship between the Party and business opinion. In backing away from any legislative commitments, Tony Blair insisted that stakeholding was “ a unifying theme or slogan — not something I envisage a government being able to come through and enforce.”²⁵

(iii) *Social partnership*

The final attempt to reformulate the idea that enterprises should not have it all their own way was arguably the most important and enduring, perhaps because it strayed least from established patterns of trade union activity in the workplace. Although the word partnership had been used frequently in debates on industrial relations and industrial policy, a slightly more distinctive sense emerged between the 1987 and 1992 general elections which was related to the proposals for European-style concertative policy development put forward during the same period. A 1991 paper written for the TUC by Lord McCarthy suggested that the contemporary Labour Party stood for the “encouragement of a concept of ‘social partnership’ between employers and unions, similar to that being developed in most other [European] Community countries”.²⁶ The TUC at this stage was obviously very happy with the term itself — documents for the 1991 meeting of Congress had a large “Social Partnership at Work” logo printed on them — but it seemed to intend the concept in a more general sense. However, as the 1990s progressed and the concrete commitments of the Labour Party became thinner, the two organizations swapped emphases, the Labour Party tending towards a more amorphous and generalized conception of social partnership, and the TUC’s idea gaining distinctly neocorporatist connotations. This conception arguably peaked in 1998 with the paper *Economic Policy and Social Partnership*. In this post-election policy statement, the TUC proposed that

In order to achieve full employment the question of wage inflation alongside productivity and labour market reform must be addressed... the TUC is therefore calling on the

²⁵ Tony Blair, quoted in McIlroy 1998, p541.

²⁶ TUC 1991c, p19.

Chancellor [the government Minister of Finance] to convene a series of national social partnership discussions on these and related issues.²⁷

Once it became clear that the Blair government had no intention of doing such a thing, however, the TUC returned to a more general definition of social partnership. It had retained a distinction of levels in its discussion of the concept and was able to redirect attention to industrial relations in the workplace without having to abandon what had become its headline policy on industrial relations.

The TUC's version of social partnership in the workplace is perhaps best characterized as an admission that the overlap between the interests of workers and employers is substantial and that therefore in many, perhaps even most circumstances in the workplace, interaction between unionized workers and employers should be on the basis of something other than bargaining. However, since "unions and employers will *inevitably* have differences of interest from time to time" bargaining cannot be completely abandoned.²⁸ Hence partnership "supplements and reinforces" collective bargaining.²⁹ It does not replace it, and it remains separate from it. The obvious implication here is that the issues covered by the partnership agenda — issues "like business strategy and how an organization can meet the challenges of changing markets, technologies or customer requirements"³⁰ — are not for bargaining. Neither does the TUC argue that decision-making in these areas should be subject to the agreement of workers. The non-bargained forms of interaction in which these issues are considered are assumed to be of a consultative rather than 'codeterminative' nature.

The argument is in some ways reminiscent of the CBI position of the 1960s in which a line was drawn between the determination of pay and terms and conditions, where bargaining was acceptable, and the other areas of enterprise action, where it was not. Rather than seeking to break down this distinction by extending collective bargaining to all areas of enterprise decision-making as it did in the 1970s, the TUC has now accepted — and there is more than a hint of pragmatism in this decision — that beyond the traditional confines of bargaining it is enough to seek a guarantee that workers and unions will be *consulted* rather than to insist that decisions have the *agreement* of workers. The success of social partnership, said the TUC in 1994,

²⁷ TUC 1998, p32.

²⁸ TUC 2001, p3; emphasis added.

²⁹ *Ibid.*, p4.

³⁰ *Ibid.*

depends on employers and trade unions seeking to build consensus — to find the common ground on issues that are best tackled through joint action. Both sides accept the imperative to improve business performance and service quality and agree to adopt a joint approach to problem solving. From a trade union perspective social partnership means that the union has a guaranteed role in the management of change.

Pragmatism aside, the TUC's conception of partnership displays an acute awareness of how far claims for involvement can be taken without carrying an implication of responsibility for outcomes. Notice the commitment in the passage above both to the *end* of enterprise performance and to the *means* of 'consensus' and a 'joint approach to problem solving'. While the acceptance of the validity both of an end and of a means to that end would normally imply responsibility for any consequent action, it is significant that the TUC never attempts to question the right of management to go ahead with its plans despite union objections. Since in the end it is management who decides what to do, unions and workers can remain at a distance from the outcomes of action.

3.3 SO WHERE DOES THE BRITISH LEFT NOW STAND ON TRADE UNIONISM?

The left in the UK has, clearly, failed to find a big idea with which to redefine trade unionism. Indeed, although the degree to which the TUC and the Labour Party have agreed in the past should not be overstated, even the ideas which do exist (perhaps we should call them small or medium-sized ideas) do not command the broad support which characterized pluralism in its heyday. The Labour Party has all but abandoned any pretence of being the political wing of the labour movement. Its conception of trade unionism is as an optional extra for those employees and employers who believe that the assistance of an external agency might help them to manage their relationship. For its part, the TUC has now committed its energies to the moderate and pragmatic social partnership line. It seems to have reconciled itself to building influence from the 'bottom up' through workplace-level organization rather than expecting to be able to intervene principally at the national policy level. The reorientation of its policies during the period of Conservative government was not simply tactical, however. Arguably, the partnership line reflects less modernist theoretical assumptions; a move away from the line that the forces of the market inevitably point in the direction of automation and deskilling and that the role of the unions is to limit this tendency. In this sense the TUC is in line with a strong current in management thinking which suggests that there are a wide range of possibilities for reacting to market imperatives. That the TUC's line on management is now essentially a positive one demonstrates the distance it has travelled — it now stands unequivocally for the high-wage, high-

skill, high-added value approach to management in which intrinsic job satisfaction and worker commitment is held to be the key to economic success.

Nonetheless, as we have just seen, it has not applied the idea that in the final analysis workers should be able to say ‘no’, an irreplaceable component of its analysis with respect to pay and conditions, to the other side of the line between bargaining and partnership. It is interesting to note that despite their longer and deeper experience of non-bargained forms of decision-making, the same could also be said of the trade unions in the Republic of Ireland. Before we try to suggest an explanation for the reticence of trade unions in this respect, it will be useful briefly to consider the Irish case.

3.4 SOCIAL PARTNERSHIP IN IRELAND

The British and Irish trade union movements, having started life as a single movement before the partition of Ireland and the establishment of the Irish Free State in 1921, make interesting comparators. Beyond the obvious cultural and linguistic links and the common early history of the two movements, there are two more concrete connections which have meant that industrial relations in the two countries have historically followed a very similar pattern. First of all, there are several major trade unions — notably the Transport and General Workers Union, the GMB, the AEEU and MSF — which organize workers in both the UK and Ireland. Second, the Irish legal system and its common (judge-made) law were inherited from and remain very similar to the law in England and Wales. Indeed, even some crucial statutory law, including the 1906 Trade Disputes Act, was carried over into the new Irish state. The tradition of collective *laissez-faire*, then, has been a defining characteristic of industrial relations in Ireland as well as in the UK.

However, this tradition has recently been directly challenged by the Irish trade unions. Having spent some years in fruitful rumination, in 1995 the Irish Congress of Trade Unions (ICTU) directly addressed some of the conceptual and theoretical problems we considered in Chapter 1 in a discussion paper entitled *Managing Change: Review of Union Involvement in Company Restructuring*. In most respects the paper was a fairly standard piece of 1990s trade union navel-gazing, but there was one unusually interesting aspect to the ICTU’s ruminations. This was the implicit recognition that the need to adopt a more flexible attitude to organizational change was not simply a question of politics or the balance of power between workers and employers. Rather there were problems with the basic theoretical analysis of the employment relationship which underpinned the traditional trade union approach.

The report’s authors recognized that the pluralist model was increasingly subject to challenge by management *and* unions. On the management side, the challenge was thought to be directed principally against the idea that the workers within an enterprise represented a sovereign

group independent of the other components of the enterprise like management and shareholders. Managements were becoming reluctant to accept union views on worker interests without question, attempting, for example, to influence internal union decision-making processes, and perhaps most significantly trying “to move away from pay determination systems which are based on fair comparison to ones which relate exclusively to the circumstances of the particular employment.”³¹ In a similar vein, the unions wanted to breach the traditional limits of managerial prerogative: “trade unions are becoming increasingly conscious of the impact which the business and management decisions of the enterprise will ultimately have on the welfare of their members. They are rightly demanding an input into those decisions.”³²

While this wish to extend the ambit of joint decision-making was nothing new, the paper argued that it is not that the line demarcating the areas of managerial interest from those of worker interest is in the wrong place, but that drawing a line at all is counterproductive. This has certain obvious affinities with unitarist approaches, but the ICTU was clearly not calling for unitarism in any established sense. It is made clear that any post-pluralist approach to trade unionism would have to accord the commercial objectives of the enterprise a fundamental importance which they had not previously been granted, and that proposals for change could no longer be seen simply as the contingent interests of one party to a collective agreement to be treated as “net industrial relations issues to be dealt with in the traditional adversarial way”.³³ But the role envisaged for worker representatives was certainly not simply to smooth the implementation of managerially-determined plans. The vision was rather of unions equipped with opinions and technical expertise about business issues which could provide a radical counterpoint to the often conservative views of management. What the ICTU did not provide was any detailed idea of what such a new conceptual framework for industrial relations would look like, but it is arguable that for the trade unions in Ireland, it is precisely the concept of social partnership that has filled the gap where pluralist ‘good industrial relations’ used to be.

After sixteen years in operation, the Irish experiment in social partnership is less an experiment than an established mode of economic, industrial and social policy-making. At the time of writing, negotiations on the sixth national agreement on pay and social policy have just been completed. However, it is the fourth agreement, *Partnership 2000*, which will concern us here. Agreed early in 1997, it had as its principal focus the idea of replicating the co-operative principles of the national policy-making model in workplace decision-making. Although the

³¹ ICTU 1995, p27.

³² *Ibid.*, p28.

³³ *Ibid.*, p26.

agreement made it clear that there could be no prescriptive model of partnership, it outlined a conceptual framework within which the principal goal of the union-employer relationship was to be worker participation in both operational *and* strategic management on the basis of non-bargained or non-adversarial forms of joint decision-making. On paper, then, *Partnership 2000* is a very radical document, which proposes precisely the kind of replacement for pluralist good industrial relations for which the ICTU had called two years earlier. Before we consider any further the content of that agreement, we need briefly to discuss the public policy context from which it emerged.

3.4(a) Worker participation and employee involvement in Ireland

Unlike some other elements in the Irish social partnership scheme, the idea of partnership at enterprise level exists in extremely well-trodden conceptual territory. In practice it is impossible to separate it from debates about collective bargaining, industrial democracy, worker participation and employee involvement which have been going on in Ireland (and elsewhere) for over thirty years.

(i) *The public policy context*

Although the direct challenge to pluralism which has been notable by its absence in the UK emerged relatively recently in Ireland, the British and Irish systems of industrial relations had in fact started to diverge in the late 1960s. At this stage, although the intellectual approach to industrial relations was almost indistinguishable from the institutionalist pluralism that informed the Donovan Commission, the policy focus was less on the need to formalize unregulated workplace bargaining than on the effects of annual pay bargaining at industry level.³⁴ The synchronisation of pay negotiations for different bargaining groups subsequent to the ending of pay controls after the Second World War had led to a situation in which wage bargaining was conducted in a series of short bursts or ‘rounds’ in which the key feature was the maintenance of existing relativities. A recognized pay leader — clerical workers in the Electricity Supply Board, for example — would open negotiations subsequent to, say, a change in the cost of living and settle at a figure which would then become the target for other groups.

³⁴ There were three significant public inquiries into industrial relations in Ireland which were roughly contemporary with the Donovan Commission and which demonstrate a rigorously pluralist approach: Michael Fogarty’s investigation into industrial relations in the Electricity Supply Board (Ireland: Committee on Industrial Relations in the Electricity Supply Board 1969), Con Murphy’s report on a damaging strike by maintenance craft workers (Murphy 1969) and Ciaran Mulvey’s report on the strike in the nationalised turf (peat fuel) production organization, Bord na Mona (Mulvey 1968).

Bill Roche has identified four problems which by the end of the 1960s were commonly related to the wage rounds system and ‘free’ or opportunist collective bargaining.³⁵ First, the persistent rise in the rate of inflation, usually directly attributed to the wage leadership phenomenon central to the dynamics of wage rounds; second, rising wage costs, which were seen as the key factor undermining or potentially undermining the competitiveness of the internationally exposed sector of the Irish economy; third, the level of industrial conflict, which had risen dramatically over the previous decade; and fourth, Ireland’s established industrial development strategy — the attempt to attract direct investment from abroad — was thought to be jeopardised by the external perception of poor industrial relations. In an attempt to deal with these problems, employers, unions and government were all prepared to countenance, at least in principle, some kind of move towards more ‘orderly’ collective bargaining.

The concept of national pay bargaining represented a classic institutionalist solution. In the absence of the British concern with the need to promote bargaining on change at workplace level, bi-partite collective bargaining at national level seemed to offer a viable voluntarist alternative to incomes policies as the route to ‘orderliness’. It was assumed that bargaining conducted with a national perspective would inevitably result in lower average pay increases because of the absence of ‘leap-frogging’, because of the more obvious and immediate relevance of the bargain to aggregate economic outcomes, and because of the greater sophistication of the senior figures likely to be involved in negotiations. It also seemed likely that there would be lower levels of industrial conflict, if only because there would be less bargaining going on. It was envisaged that the agreements would, in any case, include as a central component some kind of dispute resolution machinery. There was even an existing bipartite institution, the Employer-Labour Conference, which although moribund could be dusted off to take on a new role. It is interesting to note, however, that despite the widespread agreement that something had to be done, the commitment of the Irish Congress of Trade Unions (ICTU) to opportunist bargaining was such that despite the recognition by senior figures that something had to change it still had to be coerced into concluding a national agreement with the employers by the threat of a statutory incomes policy.

The negotiation and administration of the nine national wage agreements struck between 1970 and 1980 had a significant effect on the conceptual framework of public policy. By the end of the 1970s, as Roche argues, a non-bargained or ‘non-adversarial’ approach to joint decision-making had started to take root in the Irish industrial relations system. Roche suggests that while the tripartite consultative structures established in the late 1950s and 1960s also proceeded on this

³⁵ Roche, 1994.

basis — that is, approaching economic planning issues “as *technical* problems, from the resolution of which all parties could benefit” rather than as questions of distributive conflict — the NWAs led to a situation in which this approach was also being brought to bear on aspects of pay determination, notably via the sub-committees of the Employer-Labour Conference involved in dispute resolution and monitoring. Thus in Ireland in the 1970s, “fundamental questions of income distribution” began to drift into the ambit of a mode of dispute resolution which broke the cardinal rules of collective bargaining.³⁶

Not surprisingly, then, worker participation and industrial democracy were issues that grew steadily in importance throughout the 1970s. While the earlier discussions are rather tentative, and there is much evidence of clinging to traditional models of collective bargaining,³⁷ the effect of the drift to non-adversarial modes of decision-making was very clearly reflected in a 1980 government discussion paper, *Worker Participation*. Although it began with a recognition of the irreplaceable role of trade unions in industrial organization — criticising the human relations school for overlooking their importance — the paper suggested that trade union involvement in issues of work organization could not be developed on the basis of existing, traditional modes of collective bargaining. While recognizing that it was mistaken to try engaging the “commitment and energies” of workers without having regard to the “significance of trade unions active in promoting the interests of the workforce”, the report went on to argue that

It is unlikely that progress in new forms of work organization could proceed satisfactorily in the face of a negative or purely defensive stance by trade unions, nor can they generally be implemented exclusively through the tug-of-war of collective agreements which are only periodically renegotiated. There is a challenge here for unions no less than management in terms of developing new roles and skills. One problem which will have to be faced by trade unions is the restrictive nature of existing collective bargaining procedures and agreements which of their nature could inhibit the flexibility necessary to achieve progress in work organization.³⁸

The argument here, highly reminiscent of the version of social partnership now supported by the TUC in Britain, was that collective bargaining (notably over pay and near-pay items) and

³⁶ Roche, 1994, pp154-5 & pp161-2.

³⁷ The Irish Management Institute held a seminar in 1969 from which emerged an important collection of papers illustrating the different positions taken by those involved (IMI 1969)

³⁸ Ireland: Department of Labour 1980, para 4.24.

participation in change on a non-adversarial basis do not contradict each other. Rather, they are complementary, each appropriate to a different type of decision.

A follow-up to the 1980 paper, the *Report of the Advisory Committee on Worker Participation*, appeared in 1986. This paper was produced by a committee of inquiry made up of equal numbers of representatives from the Federated Union of Employers (FUE, one of the predecessor organizations of IBEC, the Irish Business and Employers Confederation) and ICTU, along with some government-nominated independent members. The report was a logical development of the 1980 paper, and showed that there were at least some senior figures in the labour movement who were convinced of the need to adopt a new approach.³⁹

The 1986 report, like its 1980 predecessor, was critical not of trade union involvement in management decision-making *per se*, but of the appropriateness of bargained decision-making in some areas of a union-management relationship. It argued that the core assumption of a conflict of interest was the limiting factor:

Because both sides are concerned with defending their own positions and are anxious to gain concessions for the other side, the incentive towards an open exchange of information is limited and the grounds for mistrust and unnecessary conflict are increased.⁴⁰

Perhaps most notably, the report stated that the difference between collective bargaining and participation is attitude: “Participation starts from the assumption of a commonality of interest. The emphasis is on co-operation against a background of a free exchange of information.”⁴¹ While it was recognized that the line between issues of distributional conflict and work organization can be difficult to draw, the argument that issues of work organization cannot be satisfactorily resolved with an adversarial approach is made even more strongly than it had been in the 1980 paper. That participation was about the substantive sharing of control was not in doubt. It was noted that trade unions may suspect that participation is a ploy to extend managerial control but that they will simply have to trust that it is not. On the other hand, management fears that participation will involve a loss of control were recognized as having some basis in fact.

³⁹ This is supported by Hardiman, who notes the emergence in the early 1980s of a view, albeit not widely shared, that ‘defensive’ trade unionism had had its day and that unions should be exerting positive pressure for improvements in productivity and exports (Hardiman 1988, p146). One of those Hardiman identifies as holding this view is Des Geraghty, who at the time of writing is serving as General President of SIPTU, Ireland’s largest union.

⁴⁰ Ireland: Advisory Committee on Worker Participation 1986, para 136.

⁴¹ *Ibid.*, para 137.

(ii) *Employers' views*

Three consistent major themes emerge from the positions adopted by IBEC and its predecessor organizations over the years. These themes, not surprisingly, reflect a determinedly unitarist theory of management. The first is a seemingly genuine belief among employers that managerial efforts to win not just the compliance but the active support and co-operation of employees will be repaid with increased organizational effectiveness. The second is an emphasis that, notwithstanding the clear advantages, it must be up to employers to decide whether and how to involve employees. The rationale for this position is that the point of employee involvement is the improvement of organizational effectiveness, something on which only employers have the right (or are in a position) to decide. The third theme, closely related to the second and arguably representing employers' most entrenched conceptual and political commitment, is that whatever precise practices involvement and participation entails, there should never be any qualification of the right of management to take unilateral 'business decisions'.

(iii) *Views in the trade union movement*

The views in the labour movement have over the years been rather less consistent than those of the employers, reflecting a lack of conceptual and theoretical consensus about the nature of management and the role of employees and trade unions in relation to it. The confusion mirrors almost exactly the position in the UK. The unions have had great difficulty in resolving the conflict between the strategic wish to extend union influence beyond issues of distributive conflict into organizational decision-making on strategy and work organization, and the largely tactical commitment to bargaining on the distributive or adversarial model as a means to avoid any implication of a union recognition of the legitimacy of commercial aims — beyond, that is, the established commitment to 'viability'. The traditional model of collective bargaining is attractive precisely because it ultimately provides unions with veto power over managerial decisions in the areas under negotiation without any implication that the unions thereby become responsible for the performance of the organization. Any other mode of joint decision-making seems to involve a risk that unions will have joint responsibility for the decisions and for their implementation. There has never been any evidence of widespread agreement in the Irish labour movement that workers should participate to the extent that they shared responsibility with management for the performance of the enterprise.

Forms of participation other than collective bargaining were certainly a second choice for the unions. However, in the absence of a realistic possibility that traditional bargaining could be significantly extended there was nonetheless some support both for the idea of works councils (on the understanding that these would deal only with issues not covered by existing collective

bargaining arrangements) and — particularly more recently — for forms of participation which were direct in the sense that they involve individual employees rather than their representatives. Yet the line between issues suitable for collective bargaining and those better dealt with through other forms of worker participation was and remains unclear. Neither has there been sufficient interest in, or consensus on a model for worker participation to prompt a concerted campaign for its implementation, even though there seem to have been at least two points at which trade union pressure on the government to introduce some kind of statutory framework for participation in the private sector stood a good chance of success.⁴²

Despite the existence of commitment in principle to worker participation, then, the danger that participative structures would interfere with traditional union prerogatives and a suspicion of blanket statutory solutions remained the more important influences on the development of union policy in this area.

(iv) The FIE/ICTU Joint Declaration of 1991

Insofar as a settled position between unions and management was ever reached, it is recorded in the 1991 *Joint Declaration on Employee Involvement in the Private Sector*, agreed by the ICTU and the Federation of Irish Industry (FIE), another of IBEC's predecessor bodies. Perhaps not surprisingly this was a rather bland document, but it did indicate that the unions were still not prepared to insist either on the statutory imposition of participative arrangements, or on any explicit qualification of the ultimate authority of management.

While the declaration did not quite state that the statutory route to participation was unacceptable, it noted that in the UK and USA a “wide variety of practice has developed on a voluntary basis”⁴³. It went on to point out that the sub-board level participative mechanisms which exist in the private sector in Ireland had developed voluntarily, and were adapted to suit the individual circumstances of the enterprises in which they existed. This, said the declaration, is “in keeping with the (voluntary) industrial relations and collective bargaining systems in operation in Ireland”. Again, although it was not clearly stated that management would retain the ultimate right to decide on issues not already covered by collective bargaining (as it was in the FIE guidelines on employee involvement which appeared a few months later⁴⁴), the declaration made

⁴² Although the Fine Gael/Labour coalition government of 1973-1977 only committed itself to the introduction of participative structures in State Enterprises, the Labour Party Minister for Labour, Michael O'Leary, was very much an advocate of participation. The 1986 *Report of the Advisory Committee on Worker Participation* recommended that enterprises be required to take action to introduce participative structures, arguing that no progress would be made through voluntary means. A later Labour Party Minister for Labour, Ruairi Quinn, had made it clear even before the report was published that this was his position (see para 173).

⁴³ FIE/ICTU 1991, para 2.

⁴⁴ FIE 1992

it impossible to conclude that employee involvement (EI) involved the erosion of managerial prerogatives. In the appendix which suggested examples of types of EI, listed under those issues where “consultation” is appropriate — as opposed to negotiation — was every major area of strategic decision-making, including job design and work organization, recruitment and promotion, company plans and technological change. Improvements in job satisfaction were to be attempted, but only “within the needs of achieving the business objectives”.

3.4(b) Involvement and participation in the context of the national agreements

Up to the point at which the FIE/ICTU joint declaration was signed, then, there is little to suggest that either unions or management in Ireland were interested in any genuinely radical change. However, since the 1994 Programme for Competitiveness and Work (PCW), in which it was agreed that as part of the development of the partnership approach, the “promulgation of employee involvement initiatives”, as defined in the 1991 declaration, would be “pursued as an important objective”, the area of involvement and participation has been given a new impetus. The PCW stated that all involved were to publicise and encourage the adoption of EI initiatives at local level. Nonetheless, the suspicion of EI among employers in particular is reflected in the rider,

It is important that any developments or initiatives which may be taken are in keeping with the requirements of competitiveness, profitability, and the particular culture of the individual enterprise concerned.⁴⁵

The position in the subsequent agreement, Partnership 2000, was subtly but significantly different. First of all, an explicit link was made between partnership at national level and enterprise partnership. The latter was presented as an extension of the logic of the former. While enterprise partnership included employee involvement as defined in the 1991 declaration, it was not exhausted by it. Exactly what else was involved, however, was left open, the emphasis being placed instead on the aims of partnership and the commitments and attitudes of the partners. Partnership was defined as

an active relationship based on recognition of a common interest to secure the competitiveness, viability and prosperity of the enterprise. It involves a continuing commitment by employees to improvements in quality and efficiency; and the acceptance

⁴⁵ *Programme for Competitiveness and Work*, appendix, para ii.

by employers of employees as stakeholders with rights and interests to be considered in the context of major decisions affecting their employment.⁴⁶

Perhaps the most critical phrase followed immediately from this definition. Partnership was described as involving the “common ownership of the resolution of challenges, involving the direct participation of employees/representatives and an investment in their training, development and working environment.”⁴⁷

The most significant concrete objective of enterprise partnership included in the agreement was the creation of “the basis and arrangements for discussion of major decisions affecting the organization’s future, including future economic security”.⁴⁸ Taken together, the general definition and this particular objective of enterprise partnership would seem to exclude the reservation of any area for unilateral management decision. The “common ownership of the resolution of challenges” could certainly be read as implying that decisions about how to react to ‘challenges’ are not the exclusive preserve of any party, ownership being conventionally associated with the right to decide. On the other hand, the rights of management are so well established that any clear intention on the part of the parties to the agreement that these rights were to be qualified would surely have been more clearly signalled. Nonetheless, given the jealousy with which employers tend to guard their prerogatives, it is perhaps notable that their erosion was not more specifically excluded.

3.4(c) The NESF version of strategic partnership

Given the contrast between the on-paper radicalism of Partnership 2000 and the historical conservatism of the parties to industrial relations with respect to worker participation in management decision-making — notwithstanding the call for change made in the ICTU’s 1995 discussion paper — it is hardly surprising that it soon became clear that there was a certain lack of consensus about its implications. This was one of the reasons that in December 1997 the National Economic and Social Forum (NESF)⁴⁹ produced a report entitled *A Framework for Partnership: Enriching Strategic Consensus Through Participation*. As the report noted, the

⁴⁶ *Partnership 2000*, para 9.8.

⁴⁷ *Ibid.*, para 9.9.

⁴⁸ *Ibid.*, para 9.10.

⁴⁹ The NESF is an official policy advisory and evaluation body made up of representatives of business and agriculture, trade unions, and a range of other non-government organizations, part of whose remit is to contribute ideas and new thinking to the process of policy development which ends with the national partnership agreements.

different perceptions of partnership among the social partners extended “to the very rationale for, conditions of and nature of partnership.”⁵⁰

It was immediately made clear that although partnership does not demand “of those who participate a deep level of agreement on the nature and direction of the whole social and economic system”, it nonetheless could not be characterized as involving primarily “functional interdependence, bargaining and deal-making”.⁵¹ Although the terminology is not used in the paper, the distinction between different conceptions of partnership made in the report is very similar to that between pluralism and unitarism. Corresponding to the pluralist view was the concept of partnership as functional interdependence etc.; and to the unitarist view, the concept of partnership as “solidarity, inclusiveness and participation”. The NESF argued that effective partnership in fact involved both of these dimensions but could not be based wholly on either, depending in addition on a third, transcendent dimension, that is, “deliberation, interaction, problem-solving and shared understanding”.⁵² The report went on to argue that

[t]he partnership process combines these [the first two] dimensions/conceptions. To fall entirely into the first could be to validate the claim that the process simply reflects the power of the traditional social partners. To adopt a naïve inclusivist view would risk reducing the process to a purely consultative one, in which all interests and groups merely voiced their views and demands.⁵³

While social partnership was to some degree premised on social solidarity, then, it had to be distinguished from approaches involving nothing more than consultation. On the other hand, neither could it be described purely as a bargaining process in which each party came to the table seeking to maximize its gains on the basis of a predefined set of preferences:

Partnership involves the players in a process of deliberation which has the potential to shape and reshape their understanding, identity and preferences. This idea, that identity can be shaped in interaction, is important. It is implicit in the description of the process as dependent on a shared understanding, and characterized by a problem-solving approach designed to produce consensus.⁵⁴

⁵⁰ NESF 1997, para 4.1.

⁵¹ *Ibid.*, para 4.1 & 4.2 respectively.

⁵² *Ibid.*, para 4.2.

⁵³ *Ibid.*, para 4.8.

⁵⁴ NESF 1997, para 4.11.

This essentially epistemological notion of partnership as dialogue has fairly profound ontological implications: “[R]ather than being the precondition for partnership, consensus and shared understanding are more like an outcome”.⁵⁵ Consensus and shared understanding were inseparable from the problem-solving approach which, argued the NESF, was as relevant in agenda-setting and underlying analysis as it was in the implementation of solutions at the level at which a problem is experienced.

It may seem strange that a problem-solving approach can be adopted in doing the underlying analysis of a social or economic problem and it certainly conflicts with the traditional scientific approach, in which the underlying analysis is simply true or false. However, experience strongly suggests that certain analytical approaches are more likely to command agreement than others, and certain analytic approaches have more meaningful implications for action than others...A problem-solving approach involves working within these approaches, while staying true to the evidence.⁵⁶

3.4(d) The implications of applying the NESF model

What would emerge from such a decision-making process is what the NESF called a ‘strategic consensus’. This is a decision which reflects both a balance between the interests of the parties to bargaining and a technical approach to the analysis of factual evidence. Reaching such a strategic consensus relies on all involved accepting that no one group or external expert is alone capable of defining the action situation — the underlying economic or social analysis in the context of which solutions to problems are sought — and that no part of the action situation is the ‘possession’ of any particular party.

It is difficult to see, then, how a coherent enterprise-level operationalization of the NESF model of partnership could be possible without a significant qualification of the authority of management, and a consequent reconceptualization of its role and its relationship to the other groups who can claim an interest in the enterprise, particularly trade unions. What clearly cannot be maintained is the right of managers unilaterally to take decisions on behalf of the enterprise. An obligation to consult with other stakeholders, or even an obligation to take account of their views before decisions are taken is clearly insufficient to capture the point of partnership as a mode of policy-making. If policy is the outcome of a process of negotiation, then unilateral decision-making on policy by any one party is excluded.

⁵⁵ *Ibid.*, para 4.13.

⁵⁶ *Ibid.*, para 4.21-4.22.

At the same time, it is clear that any guarantee of worker involvement could not be on the basis of a power of veto. Worker interests would be obliged to seek to understand management's view of the economic context and its implications for the enterprise — although not, of course, to accept it as given — to be willing to come to an agreement on the competitive imperatives the business faces, and to participate in the design both of an appropriate strategy, and any technical and operational changes needed to put it into practice. Management for its part would be obliged to accept reasoned arguments from the workers' side, whether these are concerned with the most technical aspects of enterprise strategy or with the social, ethical or environmental aspects of enterprise action.

3.4(e) Workplace-level partnership in practice: union and employer policies

Although the NESF involves trade union and employer interests, its views obviously cannot automatically be taken as commanding widespread agreement among employers and trade unions. Nonetheless, when read in combination with the terms of P2000, the report does at least suggest the possibility that a radical approach to worker involvement in enterprise decision-making was emerging or might emerge. However, the guidelines for members on the development of partnership agreements issued by ICTU and IBEC subsequent to P2000 give plenty of reasons to believe that this would not occur.

IBEC's *Guidelines for the Development of Partnership in Competitive Enterprises*, perhaps predictably, presented a very conservative picture. There was virtually no indication in the Guidelines, for example, that IBEC saw partnership as necessarily including employee involvement in decision-making on strategic issues. Indeed, the emphasis throughout the whole document was on partnership as a means to get employees willingly to accept strategic decisions already taken by management and to co-operate in their implementation. Partnership for IBEC was clearly not understood as a two-way process in which employers saw the aims and values of employees as a central issue for the enterprise. Discussing a passage from P2000 in which partnership was defined as involving "the acceptance by employers of employees as stakeholders with rights and interests to be considered in the context of major decisions affecting their employment", IBEC proposed that

how management proceeds on such issues will be influenced by the attitude and behaviour of employees and their union representatives. This does not mean that a bad historical pattern cannot be changed but care needs to be exercised to proceed in a manner that is not misinterpreted.⁵⁷

⁵⁷ IBEC 1998, p4.

Even where the behaviour of employees was up to the standards that IBEC expected, however, the most substantial concession it was prepared to offer was the following:

Consideration should be given to the development of a social plan alongside the business plan that shows that serious consideration is given to the interests of employees, in the formulation of decisions and how they are to be implemented. It should additionally provide for the presentation of the business and social plans in a manner and time frame which shows respect for employees and consideration of their interests. (Exceptional situations may affect the ability of an enterprise to deal with all elements of the above process.)⁵⁸

Aside from the inevitable get-out clause (in brackets), what is interesting about this insubstantial formulation is that it maintained a clear distinction between economic or business factors and social factors. Despite the endless calls for employees to identify themselves with the enterprise, IBEC clearly still thought of them as separate from it.

Insofar as it is possible to read a model of enterprise partnership from ICTU's 1998 *Partnership in the Workplace: Guidelines for Trade unions*, this seems on the surface to amount to little more than a combination of traditional collective bargaining and employee involvement (both individual and through representative structures). There was, however, some indication of a cautious edging towards a more radical view. In particular, Congress seemed to be trying to blur the line between bargaining and other forms of employee representation. The guidelines did not, for example, make it clear whether unions should expect to be *negotiating* about "proposed changes likely to impact on employment, working arrangements, or conditions and earnings",⁵⁹ or simply involved in some kind of consultation. The possibility was certainly not excluded. There was also a strong suggestion, under the heading of "problem solving and conflict avoidance", that it would be important to develop mechanisms to facilitate the resolution of conflict in a non-adversarial way. While it was not made at all clear what this might mean, the idea seems to have been that the parties to industrial relations should avoid the mutual imposition of sanctions which is the traditional mode of conflict resolution. Given the very specific meaning of 'problem-solving' in the context of the wider partnership model — i.e. joint, non-bargained decision-making — this was perhaps significant.

⁵⁸ *Ibid.*

⁵⁹ ICTU 1998, p8.

Despite these possibilities being left open, the very ambiguity of the ICTU's guidelines is in itself indicative of a reticence about involvement in management decision-making similar to that displayed by the TUC in Britain. In the concluding section of this chapter we want to suggest some reasons why this might be the case.

3.5 CONCLUSIONS: THE SOCIAL ONTOLOGY OF INDUSTRIAL RELATIONS AND THE POSSIBILITY OF DELIBERATION

At the end of Chapter 1, we suggested that both Fox and Flanders recognized the co-existence of potentially contradictory technical/structural and normative reasons for social action in the workplace, but that neither were able to provide a theoretically satisfactory account of whether and if so how these reasons could be reconciled. Flanders, in fact, simply took the view that no reconciliation was possible and proceeded to construct his theories on this basis. However, although the existence of such an irreconcilable conflict implies that the public interest can only be determined via bargaining, Flanders nonetheless also implies that it can in principle be determined in other ways. This ambivalent social ontology opens the possibility of conceiving bargaining in two very different ways. Either it is the process in which the imperatives of the market (along with the socio-political imperatives against which they must be balanced) are *identified*, or it is where these imperatives are *defined*. In the first case, the process of bargaining involves the mutual communication of information about the external pressures for action faced by each party, together with an exploration of where the equilibrium position between these two sets of pressures might lie. Ideally, the agreement eventually reached will be an accurate reflection of the real or objective or empirically possible equilibrium between socio-political and economic forces. If it is not, economic crisis or social unrest will be the outcome (regardless of the will of the bargainers). We can call this the 'systems' conception of bargaining. In the second case, the process of bargaining involves a mutual agreement that each party will accept certain constraints on their freedom of action. This involves the assumption that market imperatives simply represent the contingent 'will' of Capital, just as the socio-political imperatives articulated by the trade unions represent the will of Labour. In participating in bargaining, the representatives of Capital and Labour, recognizing their inescapable interdependency, agree to accept certain obligations which have the effect of limiting both the returns Capital can expect on its investment and the extent to which the social and political goals of Labour are realized. Since these limits are *agreed*, then however restrictive they may be they will by definition be neither socially nor economically damaging. We can call this the 'action' conception of bargaining.

The policy literature we have analysed directly reflects the confusion between these two conceptions which is apparent in Flanders' work. The principled, normative case for bargaining

— that which bases the case for worker self-organization on democratic rights — implies the action conception. The whole point is that workers have the opportunity to exercise choice. The pragmatic case usually to be found alongside the arguments of principle, however, implies the systems conception. Workers are ‘scientifically’ expected to react in certain ways to certain management actions.

What we saw in Chapter 2 was that the British neoliberal right was able to exploit pluralism’s ambivalence with respect to the ontology of the social and economic forces implicated in the bargaining process. In effect, management was treated as if it were participating in systems-type bargaining, and unions as if they were participating in action-type bargaining. Managers were deemed to be communicating external imperatives, while the role of the unions was to recognize these imperatives and to *choose* to behave in such a way that they were satisfied. Hence it was assumed that while economic forces were beyond the control of management, the social force of organized labour could be directed by the conscious choices of its leaders. Whereas the logic of the pragmatic pluralist argument suggested that union behaviour should have been taken as given, it was instead treated as the outcome of decisions which could and in many circumstances *ought* to have been otherwise.

Although the pragmatic argument for pluralism was in this sense partially rejected, it was also turned against the unions. The repeated emphasis that pluralist industrial relations was good for business meant that the persistence of economic and industrial crises of various kinds could easily be used as circumstantial evidence in support of the case made by the Right. The argument most often made in support of pluralism was that it would decrease conflict and increase enterprise performance. Obviously, then, the longer the level of industrial conflict remained high and performance stubbornly refused to improve, the less defensible the pluralist model of industrial relations appeared.

It was not just management and the political right who questioned pluralism, however. In the abstract, the greater the overlap between the interests of different social groups, the less appropriate a means of decision-making bargaining becomes. The trade unions in the UK and in Ireland have for at least forty years openly recognized that, given an appropriate degree of respect for labour standards, the success of enterprises is in the public interest. More recently, they have been increasingly willing to recognize that achieving that success involves respecting certain more or less objective market parameters — parameters which no-one has consciously intended and which are not subject to human control. Similarly, employers have generally recognized that, given an appropriate degree of respect for market parameters, it is in the public interest that the employment relationship is conducted in such a way as to avoid the exploitation and degradation of workers. Hence it seems to have been agreed both that economic success is in everyone’s

interest, and that maintenance of labour standards is in everyone's interest. This agreement is entirely compatible with the increasing difficulty of identifying a coherent 'working class' which is socio-culturally and/or economically clearly distinct from management. The obvious implication is that bargaining is not an appropriate means of decision-making in enterprises.⁶⁰ The adoption of 'partnership' approaches to employee participation in management on both sides of the Irish sea is strong evidence that this argument has been widely accepted in the trade union movement.

However, the logic of the partnership model does not seem to have gone 'all the way down'. Both the British and Irish unions have clung tenaciously to collective bargaining in the traditional areas of pay and conditions, and neither movement has been prepared to take the final step of insisting that agreement be reached before any action is taken in those areas where the relationship between workers and management is conducted on a non-bargained basis. Once again, it seems as if the legacy of pluralism is the problem. In order to ground the union right to oppose management *regardless of the circumstances*, the technical aspects of management were defined as representing the interests of Capital and hence it was willingly granted that they were the exclusive preserve of employers. The proposals of management were recognized as a rational attempt to optimise the effectiveness of enterprise action in the particular context of that enterprise's market environment and with respect to a certain conception of efficiency or competitiveness. The crucial stage in the argument was the definition of the managerial goal of efficiency as legitimate but not of general validity. This meant that unions could dismiss management arguments as having no validity for workers. Dialogue about or deliberation on management proposals was therefore wholly unwarranted.

However, if in the context of an historical consensus on pluralist industrial relations policy it is recognized that the goal of efficiency or competitiveness can in fact have *general* validity, management is left in a very strong position. It can immediately claim that its technical abilities give it the right to decide on behalf of everyone; that by virtue of their professional training and experience, managers are in a position to identify the conditions for enterprise success. Hence we have the traditional objection to active worker collaboration with management: it seems to be the case that abandoning the basic assumption of a fundamental conflict of interest between employers and employees also means abandoning the aim of placing controls on the actions of enterprises with a view to requiring that those actions are coherent with a positive, democratically-achieved definition of the public interest.

⁶⁰ The ICTU's direct questioning of the pluralist model in its 1995 paper is a particularly good example of this logic.

The only way around this problem, as the strongest advocates of partnership seem to understand, is to challenge the possibility of a purely technical apprehension of the parameters of enterprise action. This in turn, we would suggest, depends on being able to conceive the imperatives of the market as mutable social phenomena rather than objective and unalterable elements of the economic landscape; on a recognition that the outcomes of economic action are to a degree dependent on the beliefs about those outcomes held by the participants in action. This is the position outlined *par excellence* by the NESF in Ireland. As we saw above, the major logical consequences of adopting this position are the involvement of workers and unions in enterprise decision-making on equal terms with management and the conduct of decision-making on a dialogical or deliberative basis. As we also saw, however, it is not just management that has been reluctant to accept these implications.

While it is certainly true that part of the unions' suspicion of becoming involved in management has been the wish to preserve the possibility of opportunist bargaining, their reticence has also had rather more substantive foundations. Trade unionists continue to believe that the supposedly technical decision-making of business and finance is underpinned by normative assumptions and value-judgements which are inherently corrosive of certain social and political aims. These underpinnings are thought to be deeply embedded in the market and the various social institutions that support it. So much so that accepting the validity of market parameters as defined by managers in business and finance seems to represent a concession that the aims and values of the union movement are dispensable. The issue is whether in any genuine process of deliberative codetermination the unions would be able to present positive, commercially viable plans of their own which were untainted by the inherent biases of the market. Is it, in other words, possible to accept and work within a market framework while avoiding being drawn into a damaging complicity with management in which the defining aims and values of the trade union movement are lost to sight?

What we saw in this chapter was that while there is a certain confidence that this is not the case — the degree of intellectual and political investment made by the unions in social partnership being the evidence — it is not enough on which to base a campaign for positive codetermination. The unions, while perfectly willing to countenance campaigning for and indeed exercising a veto on managerial plans, have shown themselves unwilling to argue the case for positive participation in management. They fear that to enter into a substantive dialogue about economic decision-making would be to abandon their socio-political aims.

The final step in the journey away from bargained relationships is to recognize that the economic and socio-political aspects of enterprise action cannot be separated. The solution both to the theoretical problems of pluralist industrial relations and to the political and organizational

difficulties of the labour movement is to argue that the identification of appropriate responses to economic forces is as much a political as a technical question. It requires not just technically adequate responses, but technically adequate responses which are simultaneously normatively valid and whose technical adequacy and normative validity cannot be separated from each other. What we aim to demonstrate in the remainder of this thesis is that in principle this is possible; that deliberative joint decision-making commits the unions neither to managerial aims and values, nor to managerially-defined responses to the exigencies of the market. This will involve us in some detailed and highly abstract argumentation in the attempt to demonstrate what we might call the normativity of structural forces, as well as the degree to which social action in contemporary societies is dependent on the use of conceptual models of social structures.

Chapter 4 Habermas' *Theory of Communicative Action*: a brief synopsis

The issues raised at the end of the previous chapter can be reduced to one very simple question: is it possible to show *a priori* that equity and efficiency are in principle compatible? Are we to accept that efficiency comes first, and that only once its demands have been satisfied can we sit down and consider what can be salvaged from whatever remains of our social and political priorities? Or can equity — and dignity, justice and sustainability — stand alongside and counterbalance the structural imperatives of the market?

Answering these questions will depend on our ability appropriately to conceptualize the relationships between the structural forces to which organizations respond and contribute, organizations themselves, and the individuals who constitute them. Stephen Ackroyd has argued that while “the effects of organisation are beyond control, it is not yet clear that organisations themselves are beyond control.” He goes on, “However, a first step in taking control of them, or rendering it a possibility, is to understand better how far organisations are already in control of participants, but, also, how participants are persuaded that they are not.”¹ We are faced, then, with one of the most intractable problems in sociology, that of the relationship between structure and agency. Putting the abstract theoretical issues aside for a moment, what we have seen so far is that British and Irish trade unions have been obliged to recognize that market imperatives are rather more imperative than they had thought. Having historically operated on the basis of an action conception of bargaining, they have become reconciled to the need to use bargaining as a means to *identify* organizational strategies which amount to effective responses to market pressures. At the same time this has involved considerable thought about the nature of workers’ participation in and contribution to the enterprises that employ them, and the implications of workers’ and managers’ beliefs and attitudes to outcomes at the level of the enterprise. What this points to in terms of a theoretical approach, of course, is a need to take both structure and agency seriously.

To the extent that contemporary developments in social theory have found their way into those disciplines concerned with work and employment, however, this has not been universally the case. It has been writers of a postmodernist tendency, particularly Foucault, who have been most obviously influential.² While many of the analyses in this tradition provide compelling accounts of the micro-pathology of processes of power and control *within* organizations, they nonetheless have little to say about the structural context against which power and control is

¹ Ackroyd 2000, p105.

² See, for example, Sewell & Wilkinson 1992; McKinlay & Starkey (eds) 1998; Townley 1994; Du Gay, Salaman & Rees 1996.

exercised; about what goes on *outside* the organization in the sense of the market and regulatory environment within which enterprises have to operate. As Barbara Townley, one of the most influential management Foucauldians herself suggests, such approaches are less interested in the ‘why?’ or the ‘who?’ of power, than the ‘how?’.³ Hence they are of little use if one is trying to understand how structural forces are translated into motivation, and how the motives of actors affect the characteristics of social structures. Indeed, as Ackroyd points out, Foucault’s work permits almost no grip on the idea of organizations as discrete social phenomena. His “categories so cut across organization structures and boundaries, disassembling them into practices, that they do not exist in recognisable forms within his systems of thought”.⁴

Nonetheless, and in a more general sense, the insights of the linguistic turn in the hermeneutic social scientific tradition are obviously too valuable to dismiss. However, the tendency in industrial relations research, as Peter Hamilton points out, has been to focus on the structural rather than the linguistic. Hamilton argues that we should unduly privilege neither: “It is through the linguistic that we uncover the structural and vice versa as the structural influences our choice of rhetorical strategies and arguments.”⁵ We would suggest that this view is strongly supported by our analysis of the industrial relations policy debate.

Fortunately there is a growing body of work which attempts to apply a ‘critical modernist’ or ‘realist’ social theory to problems in the sociology of work, industry, employment or organizations. Within the last three years, for example, the theoretical approaches of Anthony Giddens, Norbert Elias and Roy Bhaskar have all been canvassed as potential starting points for an industrial sociology that takes both structure and agency seriously.⁶ Given the degree of interest in this area, it is perhaps surprising that beyond the very general discussion provided by Burrell there has been such limited attention paid to the work of the most distinguished figure in the broad critical modernist camp, Jürgen Habermas.⁷ We want to suggest that Habermas’ work bears very close attention. His *Theory of Communicative Action* in particular seems to hold out the possibility of relating social structure and social action in a way that maintains what Reed has called a ‘stratified social ontology’,⁸ which is to say assuming a realist stance with respect to social structures and social institutions while at the same time allowing that structures ultimately

³ Townley 1994.

⁴ Ackroyd 2000, p93.

⁵ Hamilton 1999, p174.

⁶ Barley & Tolbert 1997; Ackroyd 2000; Newton 1998, 1999; Reed 1997.

⁷ Burrell 1994.

⁸ Reed 1997, p21.

rest on shared meanings and are thus, at least in principle, susceptible to rationally-motivated change.

One possible explanation of why Habermas' work has not been more widely used is that he himself seems to vitiate this possibility by arguing, first, that meanings can *only* be established in the social and cultural institutional spheres (the 'lifeworld') and, second, that in the political-administrative and economic spheres (the 'system') only a very restricted range of meanings retain any importance and that even these are fixed, their implications for action pre-specified rather than open to interpretation. In short, he argues that social action in economic contexts is not and cannot be conducted on the basis of valid norms. For our purposes this amounts to the admission that there is no way that the social and political aims of the labour movement can be an integral element of action within a market economy. This self-imposed restriction is the more frustrating both because the connection between meaning and social action which he proposes is highly convincing and because the mode of analysis that accompanies it — known as formal pragmatics — is innovative, sophisticated and powerful.

The purpose of the theoretical discussion which follows is twofold. First, it aims to provide an outline of the theoretical scheme which Habermas' develops in *The Theory of Communicative Action*. Second, it attempts to contribute to the ongoing structure/agency debate from within the critical modernist tradition by showing that Habermas pays a price higher than necessary for the maintenance of the structural aspect of his scheme. After giving a brief outline of formal pragmatics and the methodological approach it implies, we go on in Chapter 5 to show that the concept of media-steering, proposed as a functional substitute for the substantive link between meaning and action which obtains in lifeworld contexts, is inadequate to the task of capturing the full range of possible meanings of the employment relationship. It will be argued that in order to comprehend social action in the context of the private enterprise, the concept of the lifeworld is not just advantageous but necessary, that the method of formal pragmatics is thereby admissible, and that the connection between structure and meaning is rather more direct than Habermas allows. This will enable us to construct an argument that a normatively-framed capitalism is indeed possible.

4.1 THE THEORY OF COMMUNICATIVE ACTION⁹

Habermas suggests that there are two conceptual strategies that can be used to approach the analysis of the integration of social groups, that is, the ties that bind individuals in more or less coherent and ongoing association. Both of these strategies start from a definition of social association as the co-ordination of action, but where one approach stresses the achievement of co-ordination through the harmonization of action *orientations* — the reasons actors would give for acting as they do — the other maintains that that association is sustained through the functional interconnection of action *consequences*. Adopting the first strategy, society is conceived as the *lifeworld* of a social group. Adopting the second, society is understood as a self-regulating or boundary-maintaining *system*. Habermas argues that an adequate theory of society can only be constructed if both strategies are used simultaneously.

4.1(a) Rationality and communicative action

Before considering the idea of society as a lifeworld, we must introduce Habermas' concept of communicative action, which on his account is the fundamental mode of rational social action. For Habermas, modernization and rationalization are essentially synonymous processes. The modernization of society is a process of 'disenchantment', of the ever deeper penetration of rationality into the conceptual underpinning of our interpretations of the world. In the modern society there will be no 'sacred', no 'rationally impenetrable normative consensus' at the root of our interpretative commitments. Nothing will be immune from questioning or dissent, and everything will be rationally justifiable.

(i) *Habermas' concept of rationality*

Unlike Weber, however, Habermas argues that rationalization need not mean the exclusion of norms and values from social action in the public sphere. It is crucial to his argument that rationality can, indeed must extend beyond the realm of the objective or material. According to the paradigmatically modernist 'cognitive-instrumental' conception of rationality, rational actions are those which contribute to the successful pursuit of some material aim — whether pursued by an individual or a social group — in the context of a known objective world and its properties. This strategy is based on the assumption that the material or objective world can be shown to exist in a way which clearly differentiates it from those categories of phenomena which are

⁹ The description of Habermas's theories which follows is based on a reading of Volumes 1 and 2 of Thomas McCarthy's translation of *The Theory of Communicative Action* (Habermas 1984; 1987). It also draws on McCarthy's introduction to the whole work included in Volume 1 and on Outhwaite's introduction to Habermas (1994). Some of the references below are to quotations from Volume 2 cited by McCarthy in his introduction. The translation of these passages is in some cases slightly different to the published translation of Volume 2.

merely subjective, i.e. which are insusceptible to proof or disproof. Action that occurs within the realm of the subjective is neither rational nor irrational as it cannot be justified with reasons which are in principle refutable.

There are two problems with this approach. First of all, the distinction between objective and subjective leaves social phenomena in an ambiguous position. While it would be difficult for even the most hardline philosophical realist to argue that they did not exist, at the same time they are insubstantial, consisting in the final analysis of nothing more than norms and conventions. Social institutions also provide the context for human action which must surely be describable as rational or irrational rather than neither.

Second, along with Hume, Nagel and many others, Habermas accepts that this kind of simple differentiation between categories of phenomena in terms of their supposed ontological status is in any case not sustainable. Indubitably true, foundational knowledge is unattainable. It is no more possible to prove beyond all doubt that the computer on which this chapter is being written exists than it is to prove that Microsoft does, or that Bill Gates is an identifiable and distinct entity.

However, this does not mean that we cannot act rationally, nor does it mean that we have to abandon the concepts of knowledge, truth and objectivity. In attempting to ground his theory of society in a way adequate to the resolution of these difficulties, Habermas begins by defining rational action as action for which there are good reasons or grounds which could in principle be defended in argument. This is a significantly broader conceptualization than that of cognitive-instrumental rationality. Specifically included within the category of good reasons or grounds are not only objective ‘facts’, but valid or legitimate social norms and authentic or sincere subjective desires, intentions and experiences. On this scheme — and other things being equal — it is as rational to take some action because it is conventional or right, or on the basis of some internal impulse as it is because it is the action is likely to be effective in the prosecution of some material aim in the context of an objective world.¹⁰

(ii) *Implications of rationality as reason-giving*

This ‘communicative’ conception of rationality — so-called because the rationality of action is defined in terms of an actor’s ability to make an argument that his or her action is rational — implies a change in the core problematic of philosophy and the social sciences. We must abandon both the attempt to establish indubitable chains of reasoning connecting some reliable perception of a transcendent, ontologically self-sufficient world to our descriptions of it *and* the assumption

¹⁰ By way of example, Habermas suggests that it is irrational, indeed arguably impossible, simply to want a saucer of mud, but that it is rational to want a saucer of mud *in order to enjoy* its rich river smell.

that it is only if we manage to do this that we are justified in using the concepts of truth and objectivity.¹¹ Having rid ourselves of this baggage, the interesting issue then becomes ‘the intersubjectivity of possible understanding and agreement’. Rather than trying to answer the questions ‘do I know?’ and ‘how do I know?’, we should instead begin by trying to explain how we, the members of society, come to agree or otherwise to accept that we know what we know in common.

If the crucial feature of rationality is reason-giving, then knowledge must rely on agreement or understanding between two or more actors. It is important to understand, however, that the process of reaching understanding *cannot itself be reduced to some kind of comparison or alignment of meanings which have been previously apprehended by individuals*. To agree that something is the case is not simply to share a recognition of something in the objective world and its properties. ‘Coming to an understanding is not an empirical event that causes de facto agreement’.¹² It is not a question of the objective, real or platonically essential world ‘acting on’ individual human subjects such as to stimulate some cognitive response which may or may not be correct and about which two or more individuals can subsequently agree (or disagree). Rather, coming to an understanding

is a process of mutually convincing one another in which the actions of participants are co-ordinated on the basis of motivation by reasons.¹³

Whereas the paradigmatic case of cognitive-instrumental rationality involves the relationship of an isolated individual to something in the objective world, communicative rationality involves a relationship between two or more individuals in which there is no restriction on the admissible categories of subject matter — objective, social or subjective. Because rationality is founded on reason-giving, and therefore on a relationship between two or more individuals whose ability to agree or disagree with each other is unrestricted by external forces, we can say that it is itself a normative or social phenomenon. Habermas argues that

¹¹ Habermas is on this reading a philosophical realist. The implication of his argument is that since it is logically certain that we can never be certain, then our use of terms like truth and objectivity cannot be based on this unattainable certainty. However, he would, for example, reject Rorty’s claim that all we have are unending chains of semantic connection and that any interpretation is as valid as another. (see Rorty 1979). Rorty’s criteria for the success of any one interpretation of the world over another — for example the convenience or attractiveness of an interpretation at a particular point in time — would be rejected by Habermas as insufficient. The ‘force of the better argument’ will exclude a range of possible conclusions because they are not *coherent with the evidence*.

¹² Habermas 1984, p392.

¹³ *Ibid.*

[i]n contrast to *representation or cognition, coming to an understanding* requires the rider uncoerced, because the expression is meant to be used here as a normative concept.¹⁴

We come to know and understand only through communication which aims to achieve an unforced and therefore valid agreement. While *de facto* agreement on an issue may arise for any number of reasons, this does not necessarily make for a valid consensus. Objectivity, in other words, depends on the attitude and intentions of participants in dialogue. It requires actors to engage in *communicative action* rather than, somehow, to ensure that the facts they want to communicate have been apprehended in a value-free way. Knowledge is subsequent, rather than prior to communication.

Habermas argues — perhaps more accurately implies — that it would be pointless to try to deny that reality is ‘constructed’ in the sense that the ultimate source of epistemic authority can only be agreement between ‘speaking and acting subjects’ who are free to argue and question without reservation. For this reason, what we call reality is in principle always susceptible to *reconstruction* or *redefinition*. There can never be absolutely final and unquestionable truths, but for Habermas this does not mean that we are condemned to relativism. It simply means that we need to look for a yardstick of objectivity which does not depend on being able to demonstrate some kind of correspondence between the content of an utterance and a transcendent reality.

This yardstick is the extent to which the force of the better argument prevails as the basis for the definition of situations. While he briefly discusses the theory of argumentation, he leaves open the question of criteria for the assessment of what constitutes the better argument in any given situation. This is, of course, an entirely logical consequence of his epistemology. Given the appropriate conditions — the ‘ideal speech situation’, in which participants in discussion are free to argue unreservedly, are equally capable of so doing and participate in the negotiation of the situation definition with a communicative attitude — then the better argument is quite simply that which prevails.

Rather than chasing the red herring of criteria for truth, then, Habermas devotes his energy to clarifying what he calls the formal properties of communicative action. In line with his more general commitment to avoiding explanations based on some characteristic or state of the individual — the philosophy of consciousness — he argues that the analysis of the ‘communicative attitude’ cannot be understood as a psychological task:

It is not my aim to characterize behavioral dispositions empirically, but to grasp structural properties of processes of reaching understanding...¹⁵

¹⁴ Habermas 1984, p392; emphasis in original.

There are two aspects or stages to this rather technical argument. First, and perhaps more important, the communicative use of language has to be distinguished from its strategic or instrumental use. We must be able to identify the actor who aims with his or her sentence to say what s/he says and to do nothing more than this. This is in contrast to the actor who, although prosecuting his/her aim through the use of language, intends to do *more* or to do *other* than say what s/he says; to act *strategically* with an egoistic orientation to the success of their individual plan rather than with a view to the harmonization of plans of action. Second, communication must be shown to be the original or evolutionarily primary mode of language use on which other, instrumental forms of language use are parasitic.

Drawing on anglophone philosophy of language, and in particular on J L Austin's theory of speech acts, Habermas argues that the structure of language is such that in saying anything at all, actors unavoidably 'raise claims to validity'; that is, they assert the validity of the premises of their statement. These premises are references to what he calls the three worlds of human experience: the one objective world of existing, factual states of affairs; the common social world of norms, conventions and institutions; and the speaker's own subjective world of emotion and inner experience. A validity claim, then, is a claim that an objective state of affairs is *true*; that a norm or convention is *legitimate*; or that a subjective experience is *authentic* or *sincere*. To understand the meaning of any sentence is to understand the objective, social and subjective conditions to which a speaker tacitly refers; those conditions the validity of which needs to be assumed if the sentence is to be taken at face value.

The communicative actor undogmatically believes in the validity of the claims s/he raises. Consequently, in accepting another individual's 'offer' of communication — in taking it at face value — a hearer is accepting as valid the implicit arguments underpinning the sentence; is accepting that the speaker could, at least in principle, produce good reasons to support the validity of his or her statement. As we noted above, Habermas is keen to stress that coming to an understanding in this way is a normative event. Having accepted that the claims raised in a statement are valid, the hearer is subsequently *bound* to act in a way which is coherent with the offer of communication s/he has accepted. S/he is subject to the binding or bonding force of criticizable claims to validity.

Habermas' own example helps to illustrate the point. Suppose that a seminar participant has the following request addressed to him by a professor: 'Please bring me a glass of water'. The

¹⁵ Habermas 1984, p286

participant can either take the request at face value and go and fetch a glass of water, or he can question the validity of the claims implicitly raised by the professor:

The next water tap is so far away that I couldn't get back before the end of the session (denying that certain existential presuppositions obtain).

You can't treat me like one of your employees (contesting the normative rightness of the utterance)

You really only want to put me in a bad light in front of the other participants (contesting the subjective truthfulness of the utterance).¹⁶

Habermas shows that the seminar participant's understanding of the professor's utterance consists in his either accepting or rejecting the claims raised by the professor. In each of the four cases — acceptance, or rejection on any of the three grounds suggested — the participant's understanding of the content of the utterance cannot be separated from the positions he takes on the validity claims raised.

If the professor is acting communicatively, then all of her meaning, all she intends to say is contained in the propositional content of her utterance. There is nothing more. For the seminar participant to respond to her request by saying something like 'Yes, I'll just be a moment' indicates that he has accepted the validity claims which constitute the meaning of the professor's statement. If he had refused the request on any of the grounds suggested, his refusal would of necessity have been based on *the same* understanding of what validity claims the professor was raising. However, it would also have required that he impute some intent to the professor which bore no internal or logical connection to the propositional content of her utterance. There is nothing in the meaning of the sentence used by the professor that has any connection to the humiliation of the seminar participant, or to causing him to miss the seminar. However, had the professor wished to produce these effects for whatever reason, she could not have done so without the participant understanding the meaning of the sentence in terms of its underlying validity structure, accepting the claims raised, and *subsequently being rationally bound to comply*. The success of her strategic action requires that the participant comply with her request, and he will do so only if he understands by what she says the propositional content of her sentence and nothing more.

¹⁶ Habermas 1984, p306-7.

So, while speech can be used instrumentally, that this is possible relies on the communicative structure of language:

speech acts have a certain independence in relation to communicative action, though the meaning of what is said always points to the interaction structures of communicative action.¹⁷

We will return to the subject of the structure of communicative action (and of the structural components of lifeworlds, which we introduce below) when we discuss the methodological implications of this part of Habermas' theory.

4.1(b) The lifeworld

Habermas introduces the concept of the lifeworld as a complement to that of communicative action. He suggests that

If the investigations of the last decade or so in socio-, ethno-, and psycholinguistics converge in any one respect, it is on the often and variously demonstrated point that the collective background and context of speakers and hearers determines interpretations of their utterances to an extraordinarily high degree... [T]he literal meaning of an expression must be completed by the background of an implicit knowledge that participants normally regard as trivial and obvious.¹⁸

It seems obvious that in the overwhelming majority of communication situations, participants do not *explicitly* assess the validity claims raised by their interlocutors, in the sense of consciously following a train of thought which identifies and tests the claims underpinning any statement.

The lifeworld — the term was originally coined by Husserl and was later taken up by Schutz in particular — is the 'world of everyday experience as opposed to the realm of transcendental consciousness'.¹⁹ Lifeworlds might be described as a social group's dictionary of accepted or established interpretations of particular experiences. They supply the 'always-already-there' set of interrelated and mutually-supporting background convictions drawn upon by actors in the course of interpreting the situations in which they find themselves. Put simply, we

¹⁷ Habermas 1984, p295

¹⁸ Habermas 1984, p335-6

¹⁹ Burrell & Morgan, 1979 p243.

might say that a lifeworld is a socially accepted definition of reality: an 'indeterminate and inexhaustible background of... unquestioned presuppositions, a shared global preunderstanding that is prior to any problems or disagreements.'²⁰

Lifeworlds have three structural components corresponding to the three worlds of human experience we have already encountered: the objective physical world of existing states of affairs (culturally stored knowledge), the social world of legitimate norms of action (social institutions) and the subjective world of authentic expressions of self (personality structures).

Although it may seem fairly obvious, it is worthwhile setting out exactly why the idea of the lifeworld is of such central importance. The lifeworld of a society provides its participants with interpretative resources,

embodying cultural reproduction (continuity of tradition, coherence and rationality of knowledge), social integration (stabilization of group identities, solidarity) and socialization (transmission of generalized competences for action, harmonization of individual biographies with collective forms of life).²¹

It is a lexicon of the meanings, acceptable within the horizon of a society, of all the phenomena an actor can experience. As such it can both motivate actors to, and place limits on, action. A situation interpreted in one way defines a range of actions it is rational or normatively acceptable for an actor to take in response to that situation. Interpreting the same situation in a different way will give rise to a different range of possible actions, rendering others non-rational or normatively unacceptable. Groups of actors who share a situation definition will possess the same or similar action orientations and thus their actions are co-ordinated.

The equation of society with lifeworld is therefore an attractive conceptual strategy. In modern societies, the sharing of situation definitions arrived at through mutual negotiation based on rational argument is the source of a rationally binding or bonding force. These ties are produced and reproduced through the medium of communicative action and stored in the lifeworld.

In coming to an understanding with one another about their situation, participants in communication stand in a cultural tradition which they use and at the same time renew; in co-ordinating the actions via intersubjective recognition of criticizable validity claims, they rely on memberships in social groups and at the same time reinforce the integration

²⁰ McCarthy in Habermas 1984, pxxvi.

²¹ Outhwaite 1994, p87.

of the latter; through participating in interaction with competent reference persons, growing children internalize the value orientations of their social groups and acquire generalized capacities for action.²²

Habermas identifies a problem with the argument that social groups can be equated with lifeworlds, however, in that it can only partially account for the dynamics of change in social structures. There is certainly a developmental or internal logic to the symbolic reproduction of the lifeworld that can account for some social change: ‘there are features of social evolution that must be understood as advances in different types of ‘knowledge’ and which can be reconstructed as learning processes. This logic places limitations on the variation of concrete historical lifeworlds in the sense that societies can only support those ideas that are ‘thinkable’; those social innovations which are normatively acceptable within existing limits. “On the other hand, social reality is not exhausted by the ideas embodied in it; and these ideas *change in response to forces and factors that cannot be explained in terms of inner logic.*”²³

Taken by itself, the lifeworld approach conceptualizes society from the purely internal perspective of participants and,

remains blind to causes, connections and consequences that lie beyond the horizon of everyday practice... In this perspective, the reproduction of society appears to be only a question of maintaining the symbolic structures of the lifeworld; processes of material reproduction, through which the social system secures its physical existence in relation to nature and the other social systems, fade into the background.²⁴

4.1(c) The system

This brings us to the idea of the integration of social groups conceived as system integration, an idea which Habermas argues can be attributed primarily to Durkheim. On Habermas’ reading, Durkheim took the view that

whereas primitive societies are integrated via a basic normative consensus, the integration of developed societies comes about via the systemic interconnection of functionally specified domains of action.²⁵

²² Habermas, quoted by McCarthy in Habermas 1984, pxxvi.

²³ McCarthy in Habermas 1984, pxvii; emphasis added.

²⁴ *Ibid.*, pxxviii-xxix.

²⁵ Habermas 1987, p115.

It seems obvious that at least some of the aggregate effects of interest-oriented actions are not intended by, indeed are not even visible from the perspective of, the individual actor. These effects are nonetheless real and have an impact on societies, as it were, from the outside. This comes clearly into view when we consider the material reproduction of society, which, although it requires that the activities of separate individuals be co-ordinated, cannot be represented as the *intended* result of collective labour. Rather,

it takes place as the fulfilment of latent functions [of action] that go beyond the action orientations of participants... and cannot be grasped directly from [their] perspective. It calls instead for a counterintuitive analysis from the standpoint of an observer who objectivates the lifeworld. Whereas social integration presents itself as part of the symbolic reproduction of the lifeworld ... functional integration amounts to a material reproduction of the lifeworld that can be conceived of as system maintenance ... [it] only comes into view when the lifeworld is objectified as a boundary maintaining system.²⁶

Systems theory conceptualizes society on an organismic or biological model. Its analysis of societies is structured by the focus on the conditions required for their survival, functioning, evolution and change. Burrell and Morgan suggest that the general principles of systems theory on the biological model include: that the system can be identified via a boundary differentiating it from its environment; that the system is essentially processual in nature, with the process involving input, throughput, output and feedback; that the overall operation of the system can be understood in terms of the satisfaction of system needs geared to survival or the achievement of homeostasis; that the system is composed of subsystems which contribute to the satisfaction of the system's overall needs; that these subsystems, which themselves have identifiable boundaries, are in a state of mutual interdependence, both internally and in relation to their environment; that the operation of the system can be observed in terms of the behaviour of its elements; that the critical activities within the context of system operation are those which involve boundary interactions, both internally between subsystems and externally in relation to the environment.²⁷

The system perspective cannot replace the lifeworld perspective, however, something which Durkheim also realized. He was unhappy with Herbert Spencer's strong version of the system thesis, which was that the market is a self-sufficient, entirely non-normative mechanism that spontaneously and unconsciously (in the sense of absence of planning) brings about the

²⁶ Habermas, quoted by McCarthy in Habermas 1984, pxxix.

²⁷ Burrell & Morgan 1979, p63.

integration of society by harmonising the aggregate effects of egocentric, interest-oriented actions via functional interconnections. Durkheim did not want to allow that the integration of society could be entirely uncoupled from the value orientations of individual actors. In (contractual) relations of exchange considered in and for themselves, he could see nothing that resembled the kind of enduring regulatory influence required if societies are to hold together. Interest, he wrote,

can create only an external link between [men]. In the fact of exchange, the various agents remain outside of each other, and when the business has been completed, each one retires and is left entirely on his own.²⁸

Developing this insight via the addition of a strong Weberian element, Habermas argues that although the conceptual strategy of presenting society as a self-regulating system on an organic or biological model is defensible, it must be understood that unlike in biological systems, there is no internal or necessary connection between a cause and an effect within a system connecting social actions:

[T]he structural patterns of action systems are not accessible to [purely external] observation; they have to be gotten at hermeneutically, that is, from the internal perspective of participants.²⁹

The systemic connections which exist are merely conventional and as such depend in the final analysis on the meanings that particular actions have for participants as judged against the context of an intersubjectively shared interpretation of the world and their place within it. Actions — causes — have particular effects because they should have, because this is what a particular action performed in a particular situation means. This symbolic mediation of systemic interconnections means that it is impossible to abandon the lifeworld strategy which, as we have seen, starts from ‘the internal perspective of members of social groups and commits the investigator to hermeneutically connect up his own understanding with that of the participants’. On this basis, Habermas argues that societies must be conceived simultaneously as functional systems and as lifeworlds; as ‘systems that have to satisfy the conditions of maintenance of sociocultural lifeworlds’, or as ‘systemically stabilized complexes of action of socially integrated groups’.

²⁸ Habermas 1987, p116.

²⁹ Habermas 1987, p150.

The prospect of an approach to empirical social science capable of dissolving structure and agency in the way that Habermas suggests is possible is indeed tantalising. However, there is a need to make some significant modifications to Habermas' scheme before we can use the method of formal pragmatics to gain access to the 'structural patterns of action systems'.

4.2 HABERMAS' METHODOLOGICAL APPROACH(ES)

The rather complex theoretical picture of society that Habermas paints does not lend itself very easily to translation into a methodological approach. Quite apart from any other considerations, it is a well-established criticism of his *Theory of Communicative Action* that its location of 'steering-media co-ordination within economic and political institutions, and communicative mechanisms of co-ordination within the remaining institutional spheres'³⁰ is not coherent with the admission that social as well as system integrative processes play an important role in economic and political contexts of action. Habermas wants to deny that the concepts of communicative action and the lifeworld are applicable to the analysis of social interaction where relationships are formally organized. This is certainly unfortunate as this approach to social action, his 'formal pragmatics', is, *prima facie*, very attractive in the context of recent debates about power and subjectivity in organizations.³¹ While formal pragmatics opposes 'models of social order that take interactions between strategically acting subjects as fundamental, for example, models grounded in decision or game theory', at the same time it avoids the reduction of rationality to 'the standards of validity prevailing in any local context of communicative activity'.³²

In this section we will discuss Habermas' treatment of social and system integrative processes, giving particular consideration to the arguments that drive him to insist that two different methodological approaches are needed in the social sciences.

4.2(a) Applying the concepts of communicative action and the lifeworld: the method of formal pragmatics

For Habermas, as we have seen, social action is crucially dependent on processes of consensus formation in language, and it is these processes which he aims to analyse with his first methodological approach, 'formal pragmatics'. Formal pragmatics "aims at a systematic reconstruction of the intuitive linguistic knowledge of competent subjects, the intuitive 'rule

³⁰ Mouzelis 1997, p116.

³¹ Tim Newton, for example, poses the structure/agency problem for industrial and organizational sociology: how to avoid "an orthodoxy wherein subjectivity remains largely a consequence of economic 'structures'" while at the same time addressing the issue of how modern selves "resist, ignore, subvert (etc.) [discursive] practices within the context of particular socially constructed stabilities in power asymmetry" (Newton 1998, p441).

³² Cooke in Habermas 1998, p5.

consciousness' that a competent speaker has of her own language... It makes us aware that, as speakers and hearers, there are certain things we must — as a matter of necessity — always already have supposed if communication is to be successful.”³³

At the core of formal pragmatics is the argument that language has an inherent connection with validity. In methodological terms, it implies that the analysis of social action should focus on that connection, i.e. on the logical structure of the contextualized utterances of participants. To give another brief example, rather simpler than Habermas' scenario of the professor asking for water, a parent out for a walk with his child might say to that child 'Look, there's a goat!'. The child might respond positively to this remark by saying 'Let's go and have a look'. In this case she has accepted that her father's intention was to inform her of the presence of a goat and nothing more, that he is right about the presence of a goat, and that his action in telling her about it was the right thing to do. On the basis of their newly amended situation definition, the child suggests that going and looking more closely at the goat is an appropriate or rational thing to do, since being interested in goats is a perfectly good reason for going to have a look at one if one is available.

She can respond negatively to her father's remark in one or more of the same three ways which, as we saw above, are open to the student being asked for a glass of water. She might say:

That's not a goat — that's just a rock.

In so doing, she is denying 'that certain existential presuppositions obtain', in other words simply suggesting that her father was wrong about there being a goat. The child might equally well say:

I don't care — why would I be interested in seeing a goat?

In so doing, she is contesting 'the normative rightness of the utterance', in other words suggesting that as far as she is concerned it is not in her interest to look at goats so her father can forget about pointing them out to her if he sees any more. Finally, it is possible that the child might respond by saying:

Why did you tell me that? You know I'm scared of goats!

³³ Cooke in Habermas 1998, p2.

In so doing she is contesting ‘the subjective truthfulness of the utterance’, in other words suggesting that her father’s aim in pointing out the goat was not to tell her about the goat but to frighten her.

In any of these three cases of rejection, and in the absence of other relevant factors, going to take a closer look at the goat (or what the father claims or thought was a goat) cannot count as rational action. The child will be at least confused if her father subsequently insists on going to see the (alleged) goat anyway. Where the child has accepted her father’s statement, on the other hand, she is likely to be confused and upset if her father subsequently *refuses* to go and look at the goat.

So, by analysing the structure of the father’s statement — the argument about the rationality of certain types of action which is implied by pointing out the goat in the context of the micro-society of father and daughter — we are in a position to say what social action is rational and what is not. On this basis we can point to reasons why co-operation or conflict between the participants might follow depending on what course social action actually takes.

It should be clear that in analysing the situation described above, we are reconstructing the (in this case tacit) processes of argumentation which lead the actors involved to act or not act. These processes of argumentation do not start from first principles, however. It is obviously the case that participants in social action approach situations with a host of already formed interpretations and assumptions about the world, in other words action takes place against the context of a lifeworld. This, too, is open to a formal pragmatic analysis.

Even though it is a very simple social situation, the lifeworld shared by our father and daughter includes objective states of affairs (the presence or absence of the goat), legitimate norms (they will look together at things which interest the child) and subjective experiences and desires (the father’s intentions in pointing out the goat; the child’s interest in or fear of goats and other animals). However, their relationship also depends on a host of other more general interpretative commitments which they share not just with each other but with the other members of the wider society in which they live. In this case, among the most relevant of these would include the physical characteristics of their situation (how far away the goat is; the difficulty of the route between where they are and the goat; whether they have time to get to the goat and back before it starts to rain) and norms relating to the treatment of animals (that when they visit the goat they will not harm or frighten it).

For a hearer to refuse to accept a speaker’s utterance is, then, for her to question the speaker’s assertions about *their* lifeworld. If the father is acting communicatively, then a questioning of his utterance by the child ought to lead to a consideration of whether their situation should be redefined. For example the father might concede that his daughter was not after all

interested in domestic animals and that he need not point them out in future; or he might recognize that what he thought was a goat is indeed a rock; or the daughter might agree that her father genuinely did not know she was frightened of goats and that he would not have mentioned the goat if he had known.

If, on the other hand, it is not possible for a speaker and hearer to establish or re-establish agreement about their specific situation, then the content of their lifeworld is called into question. An internal inconsistency or incoherence in their lifeworld will be made manifest. In the present case it ought to be relatively easy to establish the existential parameters of the situation (the presence or absence of the goat and whether going to see it is feasible), so if the relationship is to encounter difficulties then it is likely to be because of the parties' inability to agree norms of conduct towards each other, or their inability to accept the sincerity of each other's claims about subjective experiences. Father and daughter may not agree on whether the child is or ought to be interested in goats, or daughter may not accept that her father's intention was not to frighten her, or father may not accept that daughter is genuinely frightened of goats. If any of these situations arise, then father and daughter will certainly be unable to agree that they ought to go and see the goat. If action takes place in this particular social context it will give rise to conflict rather than co-operation.

In using Habermas' formal pragmatics to analyse the structure of meaningful social action, then, we are directed towards an analysis of the content of lifeworlds, both those specific to particular groups of actors and those having more general validity. On this basis we can point to reasons why co-operation or conflict between participants in social action might follow depending on what course social action actually takes. Conflict will arise when social action is internally or logically unrelated to an *agreed* situation definition, or when there is disagreement about some relevant aspect of a situation but action is taken without this disagreement being resolved.

4.2(b) The logical limits of formal pragmatics and the need for a systems analysis

It is very clearly Habermas' view, however, that formal pragmatics cannot be usefully applied to the analysis of social action in the economic and political contexts. He intends this to be taken both as a methodological point and an assertion about the nature of the social world. As he puts it, 'communicative action forfeits its validity basis in the interior of organizations',³⁴ and so the analysis of social action in terms of the structure of validity claims will not reveal how action is co-ordinated and how conflict or co-operation arise. A different approach is required.

³⁴ Habermas 1987, p310.

(i) ***Why does formal pragmatics not work in economic and political contexts?***

The methodological approach implied by formal pragmatics assumes that actors act communicatively, which is to say that their aim in participating in social interactions is to agree a definition of the action situation with their co-participants from which appropriate co-ordinated social action can be inferred. If the possibility that this agreement be unreserved is to be kept open, then participants must have no unalterable prior commitment to the existence, non-existence, relevance or irrelevance of any element in that situation. However, economic and political contexts are defined precisely by the existence of rules that pre-determine the co-ordinated action which will be the outcome of certain kinds of social interaction. Decisions about action are in these contexts a result of a formal-legal or 'juridical' mode of rationality rather than communicative rationality. Juridical reasoning, suggests Andrini, consists

of a sequence of acts which require — to reach a judgement or final sentence — that the elements considered significant or insignificant are included or excluded in relationship to the *quaestio facti* or *quaestio juris*.³⁵

In other words, where rules exist, the elements of a situation are prejudged as to their relevance for action. Facts, norms and subjective states are deemed relevant or irrelevant to the validity of an argument before that argument is made. Evidence produced by an illegal police search, for example, is automatically irrelevant and is not permitted to form part of a chain of reasoning leading to a decision of guilt or innocence, regardless of the fact that it may establish the actual truth of the matter one way or another. What is important, then, is not the action situation as consensually defined by participants, but the relationship between that situation and a 'model'. If certain predefined elements are present in a situation, then it is deemed appropriate for participants to take certain predefined actions, regardless of any other elements of the situation which might otherwise have a bearing on decisions about action, but which the law or rule does not envisage.

On this reading, Habermas' view seems to be not that communicative action is impossible in political and economic contexts, but rather that it is unnecessary. In these contexts, participants

act communicatively only *with reservation*. They know they *can* have recourse to formal regulations, not only in exceptional but in routine cases; there is no *necessity* for achieving consensus by communicative means... [there is] the legitimate possibility of

³⁵ Andrini 1999, pp6-7.

redefining at will spheres of action oriented to mutual understanding into actions situations stripped of lifeworld contexts and no longer directed to achieving consensus.³⁶

Hence, since actors need not adopt a communicative attitude in dealing with their co-participants, the formal pragmatic analysis of communication will not necessarily provide a means of explaining the co-ordinated action which arises. Where participants do ‘have recourse to formal regulation’, the key to understanding action is to be found not in the participants’ own interpretation of their situation, but rather in what Weber calls the ‘order’ that governs them; the formal rules and regulations that apply within the immediate group of actors, but which emerge from social processes taking place beyond the horizon of their lifeworld.

Although in the passage quoted above Habermas seems to leave open the possibility of communicative action in economic and political contexts — and as a consequence might be thought to accept that there are circumstances in which a formal pragmatic analysis of action is appropriate despite the systemic context — he nonetheless also takes the view that communicative mechanisms of co-ordination can *always* be discounted as major components in the explanation of economic and political action. These two positions sit rather uneasily together. Habermas’ refusal to allow that the outcome of social interactions in systemic contexts can to any significant extent be the result of communicative action calls for some explanation.

Habermas appears in several places to argue that even if actors in economic or other formally organized contexts want or intend to act communicatively it is simply impossible for them to do so. Groups of actors in systemic contexts cannot reach a substantive agreement on the legitimacy of a particular goal because from an insider or social action perspective it is impossible to grasp the full consequences of any actions they might take in pursuit of that goal. System integration, it is argued, “takes place as the fulfilment of latent functions [of action] that go beyond the action orientations of participants... and cannot be grasped directly from [their] perspective.”³⁷ Elsewhere he argues that “the social system definitively bursts out of the horizon of the lifeworld, escapes from the intuitive knowledge of everyday communicative practice, and is henceforth accessible only to the counterintuitive knowledge of the social sciences developing since the eighteenth century.”³⁸

This is not an easy point to appreciate. Habermas is arguing neither that it is impossible that the social system and its effects are in the general interest, nor that a meaningful case in

³⁶ Habermas 1987, pp310-311

³⁷ Habermas, quoted by McCarthy in Habermas 1984, pxxix; emphasis added.

³⁸ Habermas 1987, p173; emphasis added.

support of this possibility could not be made, nor that social structures are literally incomprehensible to ordinary social actors. For example, it is not *prima facie* even implausible, let alone incomprehensible, to justify free trade and its collateral social costs in terms of the general interest of the entire world. Rather, the point is that these types of justification involve the adoption of a third-party or externalist perspective on society which is no part of 'the intuitive knowledge of everyday communicative practice'. In this case, and even at the most simplistic level of argument, the justification would involve an analysis of the aggregate effects of free trade on such things as prices and employment. Adopting such a mode of analysis, however, involves assuming that certain things are necessary when in fact they are contingent, a step Habermas calls a 'methodological objectification'. In order for the analysis to be possible at all, it must be assumed, to use Weber's terms, that the capitalistic order of society *will* be carried out, even though it need not be; that hundreds or even millions of unknown individuals will behave in a predictable and calculable way.

Since there is clearly nothing necessary about the connections between cause (action) and effect (outcome) that inhere in social institutions like capitalism, sociological generalizations based on empirical observation amount to suggestions that participants in these institutions are behaving according to a certain norm or rule. Hence claims about *the functional characteristics of social systems* amount to claims about *the validity of certain norms*, even though they are not based on an interpretative understanding of the situation of actors. Indeed such an interpretative understanding would arguably be impossible to gain since the participants in co-ordinated action do not form a social group with a shared lifeworld context. Despite the fact that their actions are co-ordinated, each participant in a system remains socially and geographically isolated from the majority of the other participants. To the extent that a connection between cause and effect is demonstrable, then, it is *a posteriori*, not *a priori*. Thus any claim about the validity of norms made on the basis of observations of the functioning of social systems remains probabilistic. It can only logically be said of a particular norm that it has a certain *probability* of being valid (which is the same as saying that there is a certain probability that a particular outcome will follow a particular action), not that it *is* valid.

It is when these empirically-derived, non-interpretatively understood, probabilistic claims about the *de facto* validity of certain norms are used to answer the question 'what should we do?' that formal pragmatics runs into problems. If we say 'we should institute a global system of free trade', then we are making a range of claims about the nature of economic systems which, as we have just argued, amount to claims about the contingent behaviour of participants in those systems. These claims are such that *if* they are true (i.e. if the norms involved are indeed valid), then a system of free trade can logically be shown to be the means of organizing trading relations

which maximizes the benefit accruing to all participants in the global economic system. If the proposed norms of economic behaviour are not valid, then any claims made for free trade are also invalid.

Free trade is in the general interest only on the condition that the norms of economic behaviour which it assumes (the validity of which has been posited on the basis of induction or ‘backwards inference’ from empirical observation) are indeed valid and continue to be so. But since economic behaviour could clearly be otherwise, we can agree that free trade is in the general interest only if we all *accept and continuously reaffirm* the validity of these empirically-derived norms. Quite aside from the effective impossibility of organizing a public sphere involving all participants in which such a consensus might arise, there is a more strictly logical objection to this possibility.

In contrast to ethical (i.e. in Kant’s sense universalizable or categorical) normative statements, for example ‘murder is wrong’, normative statements that assume the existence of a particular social-institutional structure, for example ‘free trade is right’, can be deemed valid or invalid only in the light of the outcomes of action within that structure. The connection between action and outcome, however, is merely probable and cannot be guaranteed. Before any action has taken place, then, such statements have an indeterminate validity status and thus participants in action simply cannot come to an agreement that they are valid — or rather, they can only agree with reservation, in the awareness that their actions may not be justified.

We are now in a position to see why Habermas takes the view that formal pragmatics is not applicable in systemic contexts. If it is accepted both that social action will only occur spontaneously where there is *unreserved* consensus on a situation definition, and that it is impossible for actors within social-institutional structures to reach such unreserved consensus, then it must also be accepted that rational motivation in these contexts cannot arise. Thus as a theory of integration, the idea that the co-ordination of action in the economic and political-administrative spheres proceeds primarily via processes of consensus formation in language must fail since it predicts that action in these contexts will not occur.³⁹

(ii) Habermas’ systems approach

Habermas’ systems approach, which owes much to the work of Talcott Parsons, is his attempt to construct an alternative theory of integration which can explain why the economic and political spheres of society hold together even though unreserved consensus on norms appears to be

³⁹ Habermas’ point has certain similarities with the argument made in logical positivist philosophy of language to the effect that statements are literally meaningless unless they have some currently existing objective reference. To say ‘the King of France is bald’ cannot be meaningful because there is no King of France.

impossible. Such a theory must, on the one hand, be adequate at the level of meaning in the sense that the behaviour of individual actors in their relations with each other is comprehensible, and on the other, be able to account for large-scale patterns of social behaviour in terms of an aggregation of the outcomes of these individual interactions. The thrust of Habermas' argument is that the reservations of participants in action remain, but that these 'missing terms' in the equation which adds up to the motivation to act are substituted by the threat of punishment or the prospect of reward. Action is the result of rules that are consciously applied by participants in order to determine the outcome of interactions. Rules are followed not because of the reasons underpinning them, but because of the individual interest of participants in winning rewards or avoiding sanctions. The motivation to act is not rational, but empirical.

Starting from an action perspective, Habermas argues that participants in co-ordinated social action need not be linked (integrated) by the sharing of an entire lifeworld context. In certain circumstances, social integration is based on the sharing of a single *generalized* value. Generalized values have two peculiar characteristics. First, they bind all actors in the same way at all places and times. The actions of an individual pursuing a generalized value are therefore predictable. Second they are formal rather than substantive. Generalized values act as currencies of exchange between different non-generalizable (i.e. individual or partial) values and interests and are worthless in abstraction from their meaning as an expression of substantive aims and goals.

Generalized values are consistent and reliable because they are institutionalized in the form of 'steering media'.⁴⁰ A steering medium could be described as the tangible manifestation of a rule or set of rules which determine(s) the outcome of social interactions. As we suggested above, the existence of such rules renders irrelevant most of the features of the participants' situation which would otherwise have a bearing on the outcome of an interaction and which increase the risk that participants will fail to agree about what they should do. As Habermas puts it, the 'demands and dangers' of coordinating action via reaching understanding in language,

can be reduced through media that replace mutual understanding in language as a mechanism of co-ordination in certain well-defined contexts... Such media serve not only to reduce the expenditure of interpretive energy but also *to overcome the risk of action sequences falling apart*. Media such as money or power can largely spare us the costs of

⁴⁰⁴⁰ This, incidentally, deals with Durkheim's objection to the conceptualization of social integration on the basis of contractual relations. Steering media provide the ongoing structure which remains when any individual interaction is over.

dissensus because they uncouple the co-ordination of action from consensus formation in language and neutralize it against the alternatives of agreed versus failed agreement.⁴¹

The schematization of interaction involved in this stripping down of the criteria determining its outcomes is what justifies the methodological objectification involved in the adoption of a systemic perspective. Since action is determined by a restricted and determinate range of criteria, the sum of media steered interactions represents a realization or ‘playing out’ of the logic of these rules rather than some kind of expression of the collective or general will. Further, the reasons why individual participants follow the rules are unrelated to their content, i.e. the normative validity of the rules themselves. Instead, rule-following is motivated by a purely strategic desire to gain rewards or avoid sanctions. Social action and socially-valid reasons for action are no longer in an internal, necessary logical relation, and hence the economic and political-administrative systems that are the result of rule-following cannot be represented as the *intended* result of social action. Rather they become effectively autonomous and apparently objective forces in society, confronting participants in action with what seems to be the same immutability as the material world.

For the social scientist, the object of study is the set of rules by which the social system operates and where the logic of that operation leads. If the rules of a medium have been properly understood, and if participants in action are indeed bound only or principally by the generalized value which the medium represents, then it ought to be possible accurately to deduce the aggregate outcome of social interactions. Where this kind of third party perspective can be adopted, then the otherwise impossible feat of prediction, i.e. the generation of testable hypotheses about social action in particular circumstances, becomes possible.

In the *Theory of Communicative Action*, Habermas does not discuss the research methodology of the systems approach. We cannot, therefore, sketch the outlines of a systems approach to research in the same way as we have sketched the methodological implications of Habermas’ action approach. However, it seems fairly clear that when he talks about ‘externalist’ social science, what he has in mind are economics, empirical political theory, quantitatively oriented sociology etc. There is, obviously, no need for us to discuss the methods of these disciplines here. In the remainder of this section we will instead give a very brief account of the Parsons/Habermas concept of steering media.

⁴¹ Habermas 1987, pp262-3; emphasis added.

(iii) *Steering media*

In Parsons' original system theory there are four generalized values (utility, effectiveness, loyalty and integrity) corresponding to each of four social sub-systems. However, Habermas argues — for reasons that need not detain us here — that steered interactions only take place in the economic and political-administrative subsystems, and that social integrative mechanisms retain their primacy in the remaining institutional spheres. The two steering media which he accepts have some currency, then, are money and power. At the level of meaning, media-steered interactions proceed as follows.

The money medium

In relationships steered by the money medium, the 'standard situation' is exchange. One participant makes an offer, and the other either accepts or rejects it. The generalized value in this situation is *utility*, which is to say the ability to acquire *use values*. The initiator of the exchange makes a claim about the *exchange-value* of certain goods or services. The rationality criterion of the interaction — the rule that determines its outcome, i.e. the acceptance or rejection of an offer — is *profitability*. If at the exchange-value proposed, the exchange would be profitable for the potential participant, then we assume that that person will accept the offer and act as required, regardless of any factors that might in other, 'non-economic', circumstances have an effect on the outcome of the interaction. A profitable exchange will be rejected only where there are opportunities for exchange at a more favourable exchange-value. To reject an offer of exchange, then, is to reject the claim that the exchange-value is as the initiator claims it to be.

The power medium

The standard situation in contexts where social interactions are steered by the power medium is the issuing of an imperative by an office-holder in a bureaucratic or other formal hierarchy. The generalized value is *effectiveness* in the sense of the effective realization of collective goals. In giving an order, the office-holder claims that the order represents a *binding decision*, in the sense that it is within his or her formal-legal competence to do so. The rationality criterion for the interaction is therefore the *sovereignty* of the office-holder, i.e. the successful establishment of a claim that the order is legal. It is assumed that if a decision specifies a course of action which is within the authority of an office-holder to require, then the person to whom that order is directed will accept it and act as required, again, regardless of any factors that might in other, 'non-administrative', circumstances have an effect on the outcome of the interaction. To reject an order is precisely to question the claim to legality, just as the rejection of an offer of exchange

represents a questioning of the claimed exchange-value of the goods or services to be exchanged. The characteristics of the money and power media are summarized in table 4.1 below.⁴²

Table 4.1: Characteristics of steering media

Steering Medium	Generalized Value	Real Value	Nominal Claim	Rationality Criteria
Money	Utility	Use values	That the commodities or services in play have a certain exchange-value	Interaction will succeed if it is profitable for both parties, i.e. if the claim about exchange-value is accepted.
Power	Effectiveness	Realization of collective goals	That the decision in question is legally binding	Interaction will succeed if sovereignty, i.e. the claim that the decision is legal, can be established.

4.3 CONCLUSION

What we have seen in this chapter is that Habermas is compelled by his strict adherence to the logical basis of formal pragmatics to adopt a distinct theory of social action for those contexts in which action is premised on the assumption that an established set of rules will be followed. His systems theory remains dependent on the theory of communicative action, however, because these rules are not without some foundation in valid norms. Systemic interconnections, insists Habermas, have to be gotten at hermeneutically. Nonetheless it is difficult to resist the conclusion that the connection between system and lifeworld that this implies is primarily historical. The social evolutionary processes leading to the institutionalization of certain valid norms as money and as private and public law are more or less complete. Insofar as there remains a need for social institutions to have substantive validity it exists only in the requirement that new or amended legislation is properly enacted, that is, that it emerges from a formally valid parliamentary process which, at least in principle, translates into law a general interest identified through processes of consensus formation in language.

For Habermas, the logical rupture between social action and socially-valid reasons for action that characterizes political and economic contexts, which he calls the ‘uncoupling’ of system and lifeworld, has become so complete that he feels able to say that the economic and political-administrative systems represent areas of *norm-free* sociality. Although he does not argue that motivation on the basis of good reasons, normative and otherwise, does not occur in systemic contexts, and although he does not even suggest that this form of motivation is unimportant, he nonetheless clearly implies that the external, empirical component of the motivation for action is sufficiently important to make an analysis of the lifeworld context of

⁴² The table is adapted from Habermas 1987 figure 37, p274.

action in formally organized contexts pointless. As Mouzelis puts it, it is his view that ‘the coordinating role of communicative understanding is peripheral or subordinate to that played by the steering media’.⁴³

⁴³ Mouzelis 1997, p115.

Chapter 5 Steering media and legitimacy: reconstructing Habermas' account of system and lifeworld

What we will argue in this chapter is that rather than being entirely uncoupled, system and lifeworld are in fact in an ongoing, dynamic relationship with each other. This means that we cannot understand behaviour in systemic contexts — and hence the nature or functional characteristics of social systems themselves — without an appreciation of the participants' communicative understanding of their situation; of their interpretation of the lifeworld context. We will see that the relationship between system and lifeworld is mediated by cultural interpretive systems or worldviews similar to those that Habermas argues characterize pre-modern societies.

We start, rather a long way back in the argument, by distinguishing a particular kind of informal action context in which participants pursue non-generalizable aims and values. We discuss the structure of communication in these contexts, specifying the validity claims by which they can be characterized, and suggest that this structure should also be characteristic of systemic contexts. The structure of communication in 'private sector' formal contexts — those governed by what Habermas calls bourgeois private law — should be parallel to that applying in these informal settings. Having noted that Habermas does not concur on this point, we then attempt to resolve the issue via a consideration of what action-level specification of steering media seems most likely to result in the emergence of autonomous systems. In so doing, we introduce the idea of distinguishing action in formally organized contexts from that in informal contexts on the basis of the type of logical inference used in each situation. From an action perspective, formally organized contexts are distinguishable by the use of *probabilistic* inference, whereas in informal contexts rational action can only arise on the basis of *deterministic* inference.

5.1 LEGITIMACY: NORMATIVE REFERENCE COMMUNITIES, OBLIGATION AND PERMISSION

In section 4.1(b), we saw that the binding/bonding force of criticizable claims to validity, the force of social or moral obligation, is necessarily related to a lifeworld context — the context against which the claims in question are redeemable — and thereby to a particular social group. Thus obligation is connected to or emerges from what we can call a 'reference community': a whole society or other social group against the context of whose lifeworld the claims which give rise to that obligation are redeemable. However, we shall see in this section that the nature of the logical connection between obligation and lifeworld is rather different in the case of social groups that do not constitute whole societies.

The membership of reference communities can be voluntary or involuntary, the most obvious compulsory memberships being those of society as a whole and of its subsidiary parts such as nations, regions, cities, local communities etc. There are any number of voluntary reference community memberships, from trade unions to local history societies to sports clubs to professional partnerships. We will argue later that the two most important forms of voluntary reference community memberships are participation as buyer or seller in the market for a particular good, and employment. In any case, where membership of a reference community is involuntary, the aims and values of that community are fully generalizable, potentially representing universal claims to normative rightness which give rise to unavoidable *moral* or *categorical* obligations. Where membership is voluntary, the aims and values of the community are not fully generalizable and the social obligations which arise from them apply only within that community and can be avoided simply by ceasing to be a member of it.

While Habermas recognizes this distinction, he does not take the opportunity to place non-generalizable norms and values in the context of the wider society in which they arise; which is to say he does not divide the general aims and values of voluntary reference communities into those which at the level of society as a whole are *permissible*, and those which are *prohibited*.

5.1(a) Permissibility, prohibition and the structure of communication

We can define permissibility as the acceptability on the level of society of forms of behaviour and social relationships which carry the binding/bonding force of criticizable claims to validity *only* against the particular lifeworld context of a voluntary reference community. This is unquestionably a kind of legitimacy. In order to be permissible, co-ordinated social action in pursuit of non-generalizable aims and values has to fulfil three criteria. First of all, membership of the reference community must be genuinely a matter of choice. All participants must freely have accepted the aims and values of the community. Second, the set of aims and values (normative order) that defines the reference community must be undamaging to the interests of society as a whole. There must be no conflict between different levels of social obligation. Third, any specific normative validity claims raised must be coherent with the normative order of the reference community. Co-ordinated social action will be prohibited when any of these three criteria are not met.

In terms of the structure of communication, these three criteria take the place of the single, undifferentiated normative validity claim made in lifeworld contexts involving generalizable aims and values. If a speaker proposes some action which involves the pursuit of non-generalizable aims and values, then s/he has to win the hearer's assent to certain claims which are not raised in communication in the context of involuntary reference communities. First of all, non-

generalizable aims and values, while they *can* be chosen, are not norms which in a moral or ethical sense *should* be chosen by everyone. Communicative action within voluntary reference communities therefore involves the claim that certain non-generalizable aims and values have been chosen by both speaker and hearer. Despite being the ‘location’ of the content of the normative order of the reference community, this is not itself a normative validity claim. Rather, it is two separate claims with the same content. One of these is about the subjective world of the speaker, and one about the subjective world of the hearer. The communicatively acting speaker refers to his or her own sincere adherence to the normative order of the reference community, as well as his or her belief in the hearer’s adherence to the same. The hearer can obviously reject either of these claims, in the former case questioning the sincerity of the speaker’s claim to hold certain values, and in the latter rejecting those values him or herself.

The second, normative, validity claim is that the normative order of the reference community is not in conflict with the established obligations which bind all members of a society. It is this claim that establishes the wider social or normative context of the reference community. Such a claim will not arise where co-ordinated action is in pursuit of generalizable norms and values since the relevant normative order is that of a whole society. This obviously cannot be in conflict with itself.

The third and final claim refers to the proposed co-ordinated action itself. The claim is that action is legitimate in the sense that it is coherent with the normative order of the voluntary reference community. Since the normative order of the reference community does not conflict with that of society as a whole, then neither will any action which is logically coherent with it.

So, where membership of the reference community for a normative claim is voluntary, the argument ‘we should do this’ can be rejected in three different ways. First, the ‘we’ in ‘we should do this’ may be rejected. Either the hearer has not chosen, or no longer wishes to be a member of the appropriate reference group; or the hearer rejects the speaker’s claim to adhere to the values of that group. In the former case, the hearer is excluding him or herself from a particular lifeworld context. In the latter, s/he is rejecting the speaker’s claim to share such a context and thereby questioning his or her motives. In either case, this kind of ‘external’ rejection will not lead speaker and hearer to attempt to achieve consensus. For the purposes of the communicative act in question, they are not members of the same reference community and therefore have no duty to reach agreement. To reject an offer of communication on this basis carries no necessary implication that the general aims and values of the reference community and the relationships and behaviour which arise from adherence to them are not perfectly permissible.

Second, and on the other hand, the claim that ‘we should do this’ can be rejected either on the grounds that the set of aims and values of a reference community — its entire normative order

— is in conflict with the established obligations that bind all members of a society, or because the means of pursuing a non-generalizable normative order proposed in the particular case are socially unacceptable. In this case it is the ‘should’ that is being rejected. It is important to note that a resolution of the second of the two possibilities (where a course of action is coherent with the otherwise permissible aims and values of the reference community but in conflict with more generally applying obligatory norms) will involve a modification of the general aims and values of the reference community in order to ensure that these are coherent with the normative order of society as a whole.

Finally, a hearer may recognize that the general aims and values underpinning the claim are norms s/he has chosen to adhere to, and that these norms are not in conflict with the established obligations applying in society, but may nonetheless reject an offer of communication for reasons which are *internally* connected to the proposed co-ordinated action itself. It is the ‘this’ in ‘we should do this’ that is the root of the objection. Unlike the first two types of rejection, this type of rejection will lead speaker and hearer to try to reach agreement on what *would* represent a valid means of pursuing the aims and values of the reference community given their particular situation.

An example may be helpful. We can imagine a situation in which two friends are trying to decide what to do together one weekend. One suggests that they visit a particular exhibition of contemporary painting. The normative validity claim underpinning this suggestion may be rejected for five different reasons:

- No, I find exhibitions of art very boring.

or

What are you after? You hate art exhibitions!

- No, we should do something else because contemporary art is decadent and corrupting.

or

No, I know the exhibition is a good one, but we should not go because it is sponsored by a corporation which regularly engages in ethically questionable activities.

- No, I’ve heard that that exhibition is very poor.

In the first case, our hearer is excluding him or herself from the reference community of people who enjoy art. S/he would not enjoy any exhibition of art, regardless of its content or

quality. The rejection of the speaker's plan therefore precludes any activity involving art of any kind and an entirely new suggestion will have to be made based on the friends' shared membership of a different reference community. In the second case, the hearer is accusing the speaker of having some ulterior motive in suggesting a visit to the exhibition since she believes that his implied claim to be interested in art cannot be sincere. In the third case, the hearer is rejecting the proposal on the grounds that an interest in contemporary art is *per se* illegitimate, and in the fourth because to support this particular exhibition would be socially damaging. In the final case, the hearer accepts that visiting an art exhibition is a legitimate norm, but rejects the suggestion on the grounds that the experience will not be enjoyable *for an art lover* because it is of poor quality. Unlike the other four cases, the content and quality of the exhibition is here of direct relevance to the decision about action. It is only in this last situation that it would be rational for the two friends to engage in a discussion about the quality of the exhibition as a prelude to deciding what to do.

In sum, then, we have the following proposition: Within social groups bound by a set of aims and values which are not generalizable, a successful interaction between communicatively acting participants requires that the following claims be established in place of the single normative claim raised where aims and values are generalizable:

- 1) **Internal validity of general aims and values:** Speaker and hearer are both members of the group. They have freely agreed to abide by the normative order that defines it.
- 2) **Legitimacy (permissibility) of general aims and values:** The normative order of the group does not conflict with the (categorical) obligations which bind all members of the wider society in which it is located.
- 3) **Coherence of interaction with general aims and values:** The specific normative component of the communicative act (the 'this' in 'we should do this') is coherent with the normative order of the group.

5.1(b) Permissible social relationships, obligation and legal enforceability

Society will generally support the right of reference communities with permissible aims and values to take action against those of their members who do not abide by the obligations carried by membership.¹ Obviously, society will not explicitly intervene, for example, to oblige friends

¹ One rather important exception to this rule which is of interest given the empirical focus of this thesis is to be found in British labour law as it applies to trade union membership. Trade unions are not permitted to take any disciplinary action against members who refuse to abide by a call for strike action, even where such a call is in accordance with the rules of the union as well as the law regulating industrial action. Not surprisingly, the continued existence of the principle of freedom of association in British law has been questioned as a result of this development, not least by the International Labour Organization (ILO 1999).

to telephone each other when they say they will, or to oblige godparents to buy birthday presents for their godchildren. Nonetheless, it is obvious that those who voluntarily enter relationships of friendship or of godparenthood subsequently have a moral, which is to say socially-supported obligation to behave in an appropriate manner. Logically, however, this categorical obligation does not derive from the aims and values of the reference community itself but from the free agreement of the individual actor to adhere to them. The legitimate norm from which obligation arises is that promises should be kept (that is, as long as these promises involve forms of behaviour and of relationship which are permissible). We can certainly say that it is in the general interest that individuals abide by commitments they have voluntarily assumed.

The difference between informal social obligation and the duty arising from legally enforceable contracts of exchange or membership is conceptually merely a matter of degree. In all cases, society supports the right of individual members of reference communities to insist on the fulfilment of those obligations that arise from aims and values which are internally valid and legitimate (permissible) at the level of society. We might plausibly suggest, then, that the structure of communication in formally organized or systemic contexts will conform to the pattern outlined above. To use Habermas' terms, this is to say that the action-level characteristics of steering media ought to be specifiable with reference to this communicative structure.

There are two issues that arise here. The first is that despite the conceptual linearity between the two cases, there is nonetheless an obvious difference between those reference community memberships which do not carry legally enforceable obligations and those which do. In this latter group of social contexts we find a formalized structure of claim and redemption based on the fulfilment of legal rather than substantive criteria. The outcome of social interactions is primarily determined by the civil law or the law of contract and not on the basis of an informal shared understanding of the relationship between actors. Habermas argues that in these formally organized contexts of action, formal-legal or procedural claims to validity *entirely* displace informal, substantive claims. This leads us to the second issue, which is whether we are entitled to say that the formalized structures of communication typical of economic and political-administrative contexts are in any sense parallel to those we have identified as characterizing voluntary social membership. Habermas' own suggestion for such an action-level account of systemic relationships does not appear to fit this pattern.

In the next section we will suggest that there are in fact flaws in Habermas' specification of the action-level characteristics of steering media on the grounds that the logic of the specification is such that media-steering ought *not* to arise either in economic or administrative contexts. Having made an attempt to correct these problems, we will see that the formal structure of claim and redemption in private sector media-steered contexts does indeed seem to parallel the

structure of communication in circumstances where action is taken in pursuit of non-generalizable aims and values.

5.2 MEDIA-STEERED INTERACTIONS IN PRIVATE ORGANIZATIONS

On the basis of Habermas' description of the operation of steering media we can argue that an adequate specification of the characteristics of a steering medium at the level of action must fulfil three general requirements. First, the specification should provide a plausible account of how *strategically-rational* actors can *together* determine the outcome of an interaction, i.e. how co-ordinated action can take place without participants engaging in any processes of consensus-formation on substantive issues. Second, the aggregation of the outcome of interactions must logically lead to the existence of a system which is 'not the intended result of collective labour'; something autonomous, beyond the control of participants in the action which produces and reproduces it. Third, the system which is produced must be the primary reference point for the decisions about action which produce it.

Before considering the money and power media in detail, we need to clarify one general point. In either case it would be wholly implausible to suggest that social interaction could proceed without participants sharing a recognition of at least some of the characteristics of the objective, social and subjective worlds they inhabit. Certainly it is possible that interactions be successfully resolved without there being any attempt to reach a consensus on what these characteristics are, but unless both participants *already* share approximately the same appreciation of the objective characteristics of the physical world, the *de facto* validity of certain social norms and the subjective intentions, needs and desires of human actors, then any kind of co-ordinated action would surely be impossible. As we will see, although it is clearly implicit in the *Theory of Communicative Action* that this is the case, Habermas fails to take this point into account in his specification of the two steering media.

5.2(a) Money-steering

The Habermas/Parsons specification of the money medium fails to fulfil all three of our requirements. Habermas appears to take the view that the only pre-existing connection between participants in an exchange, the only thing they know about each other, is their mutual adherence to the generalized value of utility. They are aware that all participants will seek to increase their utility, but are wholly unaware of the relationship between particular commodities and utility which holds for each individual, that is of what commodities are worth to potential partners in exchange. The only form of communication in which they can engage is the process of offer and

response — actors can only ‘reciprocally condition their responses through their offers’.² The question that arises with respect to our first requirement — the possibility of strategic rationality — is whether participants in a bargaining process which begins from this situation will be in a position to determine the point at which it is rational to strike a deal. The answer depends on how we define strategic rationality. If we take the conventional route and argue that rationality involves profit-maximization and risk-aversion, then strictly speaking, bargaining ought never even to begin. Even if an initial offer is made that claims an exchange-value for a commodity in terms of ‘units of utility’ which is a very long way above its actual utility to the vendor (i.e. that is highly profitable), it can never be guaranteed that a buyer would not have paid more because there is no way of knowing anything at all about his or her utility preferences. Making an offer at all therefore involves the risk of a sub-optimal outcome.

Even if we loosen the assumption about risk-aversion a little to take account of the fact that, for whatever reason, a vendor may have no option but to sell a commodity, we are still in difficulties. Consider a situation in which a commodity is worth 20 units of utility to a vendor and 30 to a potential buyer. Any exchange which prices the commodity above 20 units and below 30 is mutually profitable, but on the information that Habermas suggests is available to the participants, and on the assumption that participants are profit-maximizing, i.e. that the bare profitability of an offer will not necessarily lead to its acceptance, then there is no rational way for them to determine either the limits of that settlement range (beyond their own minimum requirements), or the point within it at which to strike a deal. This point needs some explanation. The only reason why a strategically rational actor might reject a profitable offer would be a *grounded* belief that a better, more profitable exchange is potentially available, whether from the same individual or some other. However, if we assume as Habermas does that bargaining takes place in isolation of any information other than the offers and responses of each participant, then there can be no such grounding. If our buyer initially offers to pay 15 units, then we know the vendor will refuse, but the buyer will not know whether this is because the deal would not be profitable, or because the vendor is simply holding out for a better price in the hope of making a *greater* profit. Participants might simply *guess* that a better offer is possible, but if this was an established practice then the whole bargaining process would become irrational. If bluffing is an accepted part of the game, then there is no way rationally to determine whether an offer is likely to improve, or whether a refusal is because the offer does not increase the participant’s utility or because it does not increase it enough. Striking a deal would be left to chance since there is simply not enough information in the offers and responses to infer a likely settlement range.

² Habermas 1987, p264.

Now, it is certainly not logically impossible that actors should not be interested in maximizing profit, instead being merely profit *seeking* in the sense that they will never either reject a profitable offer or make an offer which if accepted would earn them more than some minimum level of advantage (one unit of utility?). However, participants would also have to be unaware of the ratio of profits earned by one participant to those earned by the other. Otherwise, unless they simply did not care about the *relative* gains made in the exchange, they would be paralysed by the risk attached to making the initial offer.

Quite aside from the fact that all this seems highly implausible as an account of how interactions proceed at the level of action, it is also the case that if strategic rationality were to involve profit seeking rather than profit maximization, there could be no systemic context for action, and obviously, then, no possibility that this context influence the outcome of interactions. The exchange-value settled upon in any given interaction would only ever reflect some minimal increment to the utility of the commodity to the participant who accepts the offer. *It would in no sense represent the average utility of a commodity.* If we assume that the first profitable offer made to a vendor will be accepted, and that the buyer has no idea of the utility of the commodity to the vendor, then the only rational point at which to make an opening offer is zero. In the face of the rejection of this offer, the buyer will increase his or her offer until the vendor accepts or until his or her own utility is reached (at which point s/he will walk away without a deal). If a deal is struck, then from an external perspective all we can say about the utility of the commodity to the buyer is that it is greater than the exchange-value. There could be no such thing as commodity prices in the sense in which we understand them since every agreed exchange-value would be valid only for one particular bargain. A stable system of exchange-values simply could not emerge and there would, therefore, be no such thing as markets. Exchange-values would remain firmly rooted in the use-value of commodities to particular individuals at particular moments and the aggregate result of interactions would be unpredictable.

(i) *Respecifying the characteristics of the money-steered interaction*

To give a plausible action-level account of the strategically-rational actor's agreement to an exchange, we need to add to the Habermas/Parsons specification of the money medium. As we argued above, systemic interactions involve the comparison of an action situation with a model. In the case of the exchange of commodities, this model involves, first, elements of the objective world — it specifies the physical characteristics of the commodity in question — and second, the individual situations of other market actors as summarized or encoded in the price norms of the market. It is only the addition of this second element that enables participants to be profit-maximizing.

If we allow that participants share a lifeworld context at least to the extent of the contents of the objective world, then it is likely that they will have a separate but more or less congruent appreciation not just of the bare physical characteristics of a commodity, but also of the nature of human material need and the consequent substitutability of the commodity (the availability of alternatives that fulfil the same need). To put the point more conventionally, we must surely allow that participants have some idea of the *use-value* of a commodity and that in most cases — at least those involving basic commodities and unless participants are from very different cultures or societies — the individual assessments of use-value will roughly coincide without the need for any explicit consensus formation.³

To be able to assess the use-value of a commodity gets participants some of the way towards a strategically-rational deal, but it is not enough. The concept of utility is rather nearer the mark, combining use-value with the inherent desirability of a commodity and the purely subjective preferences or tastes of participants. Utility still cannot be the concept at the root of exchange, however, because the utility of a commodity to an individual usually declines as the quantity s/he already possesses rises. Thus the price at which s/he is willing to buy or sell also declines. The relevant factor in setting an exchange value, then, is not utility, but *marginal* utility, i.e. the utility of *more* of a commodity than an individual already has.

The marginal utility of a commodity to an individual is a direct reflection of his or her individual (material and subjective) circumstances — his or her utility preferences — and as such cannot be known by other individuals unless that individual chooses to make it known. But it is only by using a well-grounded estimate of the marginal utility of a commodity to a potential exchange partner that participants can make a rational decision about the point at which to strike a deal, the point of maximum profitability. It is the market price that is the primary source of this estimate. A market price is in fact a perfect example of a sociological generalization in Weber's sense. Potential participants in an exchange are not and cannot be in a position to know with certainty the best price they can pay or be paid for a particular commodity. This would involve bargaining with every potential participant to discover the prices at which they are prepared to exchange. There is *historical* information available, however, in the form of those exchanges which have already taken place. Although in practice participants are unlikely to perform such an analysis in any precise sense, relying on some hazy concept of the 'going rate', we can nonetheless define the market price for a commodity as *an estimate of the actually valid price for that commodity based on the statistical analysis of observed exchanges*. Where prices are

³ That not having sufficient information or expertise to judge the use-value of a commodity is problematic is obvious if we consider the trade in specialized commodities like industrial diamonds or race horses. It would generally be considered foolish for an ordinary person to attempt to buy such commodities without expert advice.

unregulated, it is obviously highly pertinent to ask in what sense a price can be ‘actually valid’ since there is no process of consensus formation which can grant this status. A market price appears to be a norm deriving its validity solely from the fact that it is observed and as such is a perfect example of the empirically-derived, non-interpretatively understood, probabilistic claims to validity we identified above (section 4.2(b)i) as presenting such a problem for formal pragmatics. However, for the strategic actor, all that matters is that the market price indicates the distribution of already agreed exchange-values for a commodity, and thus, given the reasonable constancy of perceived use-value, the distribution of marginal utilities. With this information in hand, s/he is in a position to estimate the probability that a particular exchange-value will be agreed.

If we now try to reconstruct the agreement of an exchange from the action perspective we will find it rather more plausible (that is, if for the moment we put aside the range of questions that arise about access to information). Say that an actor wishes to acquire some commodity and that his or her individual situation is such that the commodity has a marginal utility of 30. Having found another individual with that commodity available for sale, our actor examines the commodity and finds that it is of somewhat superior quality to the average. S/he assumes that the seller is aware both of this and of the fact that the current market price is around 27. What s/he does not know, and what the seller will not divulge, is the commodity’s marginal utility to the seller — how much of the commodity the seller has available, how desirable it is to him or her, and any other elements of his or her situation which may have an effect on price, for example the need to sell in order to acquire other, more urgently needed commodities. This, along with the buyer’s own marginal utility (about which the seller has no knowledge) is the information which is the subject of the process of offer and response. The most important contrast with the situation implied by Habermas is that the buyer knows that unless the seller’s situation is unusual in some respect, s/he is unlikely to be able to persuade the seller to part with the commodity for less than 28 ‘utility units’ since the market rate is 27 and the commodity is of better quality than average. The market rate tells him/her that judging from deals which have already taken place, the probability that there will be anyone willing to accept less than 28 is low. The seller is equally aware of this, and therefore it would be rational for the seller to stick at this price. The buyer can certainly test the waters by trying to appear unwilling to pay more than a sum which is in fact less than s/he is in fact prepared to pay, but since the standard of the market price exists, s/he has a reference point from which to depart in the hope that a better deal might be available, and somewhere to stick if it turns out that it isn’t. Knowledge of the use-value and availability of the commodity can also be brought to bear on bargaining. It may be known, for example, that a

commodity has for some reason recently become difficult to obtain. In such a case, it would be rational for a seller to hold out for a price above the current market price.

(ii) *The rational structure of communication in exchange*

The process of offer and response leading to the agreement of an exchange can be specified according to the same basic structure of communication which we outlined for the case of communicative action within voluntary reference communities. Since the exchange interaction itself could potentially take place between any two individuals who are in the market for a particular commodity either as buyers or sellers, and since the price at which they settle will have an effect on the market price, which will in turn affect the prices of other commodities, we can argue that the relevant reference community consists of all potential participants in any kind of exchange, which is to say virtually all of a society.

The first step taken by our strategic actor is to decide whether s/he wants the commodity at all, i.e. to determine whether its marginal utility is greater than zero. Since we are dealing with strategic actors we can assume both that exchange is in principle an acceptable way of acquiring commodities (in fact, other than theft, it is the *only* way of acquiring them) and that the actor will do without the commodity, regardless of its marginal utility, if s/he cannot strike a profitable deal. It is the combination of the positive marginal utility of a commodity and the prospect of a profitable deal that turns the individual into a market actor, and thus a member of the reference community. As we have just argued, however, not just any level of profit is acceptable. Actors only want to agree the most profitable exchanges available. We can define the general aims and values of the reference community, then, as the exchange of a particular commodity at an exchange-value that *jointly* optimises the profit to those involved.

The second step taken by the actor is to ensure that these general aims and values are permissible, i.e. that the commodity in question is legally exchangeable — that possessing it is not in itself illegal (e.g. proscribed drugs, stolen property), and that exchanging it for profit is permitted (e.g. no need for a licence to trade in the commodity).

The final step is to ascertain that the proposed exchange is coherent with the general aims and values of the reference community, which in this case is to say that the exchange-value implies the joint maximization of profitability. Since both participants are strategically-acting, each is entitled to believe that his or her potential partner will also attempt to maximize profit and that they will not agree to a suboptimal exchange. Joint optimization therefore actually arises consequent on both parties separately attempting to maximize their gains. Starting from the basis of a market price which has been discounted or augmented to take account of any non-typical physical characteristics of the commodity, participants will negotiate in the attempt to discover

the true marginal utility of the commodity to each other.⁴ These negotiations will either result in an agreed exchange value, which is to say that both participants independently accept that they are unlikely to be able to improve their profitability elsewhere, or one or other participant will not accept this and a deal will not be struck.

(iii) *Aggregation and reflexivity of interaction outcomes*

On the basis of our specification of the action-level characteristics of exchange it should be fairly clear that the two other criteria for media-steering are also fulfilled. Each completed exchange contributes to the statistical picture from which the price norms of the market are derived. We can assume that each particular exchange-value represents a compromise between the utility preferences of each participant. If either of these differ markedly from the market price, then it is likely that the value settled upon will also deviate from the market price, thus affecting subsequent bargains. Since these norms are all denominated in terms of a single medium, money, the totality of exchanges adds up to a dynamic system of interrelated exchange-values stabilized by the fairly constant relative use-value of commodities, but also reflecting the constantly changing average marginal utility of commodities to individual actors. In principle, no one exchange is any more important than any other in the determination of this average utility, and hence the emergent system is wholly beyond the control of any individual.

5.2(b) Power steering

In the case of the power medium, it is the authority relationship that is the key characteristic of an interaction. If participants in an interaction are to be able to act strategically, then the authority relationship has to be separated (uncoupled) from any dependence on substantively rational collective goals or substantively effective means of goal-achievement. The instructions which a superior issues in the expectation of compliance, and a subordinate's actual compliance or non-compliance must arise *solely* from considerations of formal, which in this context is to say legal validity. It is only in this way that the aggregate outcome of action can represent the playing out of the logic of the rules of the system, rather than the intention or will either of any individual participant or of all participants.

⁴ In fact, taking into account any non-typical characteristics of a commodity is generally an integral part of the negotiation process which is difficult to separate from negotiation on the more genuinely social elements of exchange-value. However it is logically a separate operation, the physical characteristics of a commodity being wholly separate from their contribution to its value and not requiring the use of sociological generalization for their identification. Nonetheless, since our actors are strategic, we cannot say that there will be any genuine process of consensus formation involved in the identification of physical characteristics. Separate, but in most circumstances congruent knowledge about the characteristics of the commodity will instead be incorporated into the negotiating positions of each party.

(i) ***Power in private organizations: authority and legitimizable collective goals***

Habermas himself admits that, viewed from the action perspective, power-steered interactions as he describes them are rather closer in character to communicative action than those steered by the money medium. The exercise of power, he suggests,

requires an advance of trust that signifies not only ‘compliance’ — a de facto obedience to laws — but ‘obligation’ — a duty based on the recognition of normative validity claims... [Actors] have to be in a position to contest [the claim] that the goals set are collectively desired or are, as we say, in the general interest... Whereas no agreement among the parties to an exchange is required for them to make a judgment of interests, the question of what lies in the general interest calls for consensus among the members of a collectivity, no matter whether this normative consensus is secured in advance by tradition or has first to be brought about by democratic processes of bargaining and reaching understanding. In the latter case, the connection to consensus formation in language, backed only by potential reasons, is clear.⁵

Habermas perhaps rather counter-intuitively argues that this requirement for legitimation (which he claims has no structural analogue in the money medium) arises from the very nature of a steering medium. If in a power-steered relationship the collective goal is defined solely by the superior party, then the availability of sanctions will ensure that the outcome of an interaction is simply the contingent will of the superior. If this is the case in every interaction, then the resulting aggregate outcome of action at the level of the system cannot be said to be unintended. The outcome of co-ordinated social action will be exactly as those who coordinate want it to be and thus there is no system in the sense in which Habermas intends it. However, his attempt to correct this problem with the assumption of normative consensus about goals causes another problem that puts the possibility of media-steering in question. The presence of a legitimizable, substantive collective goal gives rise to the possibility that actors may feel bound to refuse a legal instruction (despite sanctions) on the grounds that it does not represent a contribution to the realization of that goal.

In order to resolve this problem (our aim, let us recall, being to conceptualize social interaction in systemic contexts in such a way that the possibility of the emergence of an autonomous system is preserved) we need to re-examine the nature of members’ consent to an organization’s goals. Where membership of an organization is voluntary (henceforth we will use the term ‘private organization’), we have to question whether any consensus on its aims and

⁵ Habermas 1987, pp271-2; brackets around ‘the claim’ in original.

values can in a strict sense be ‘backed only by potential reasons’ which have the character of legitimate norms, i.e. which give rise to categorical obligations. As we suggested above, the communicatively-acting member of a voluntary reference community cannot claim that his or her interlocutor *ought* to adhere to the aims and values of the community in any absolute sense precisely because these aims and values are not generalizable. The only genuinely normative claim raised is that the aims and values are not in conflict with any valid categorical imperatives applying in wider society, and even where this claim is successful it is obviously not motivating in itself. Even where unrestrained processes of consensus formation in language do occur within a private organization, it makes no sense to think of the content of the eventual consensus as entirely open at the outset. If this was the case, what was it that brought the group together in the first place? Where is the sense in deliberately *joining* a group that initially has no aims and values at all (as opposed to simply finding oneself in association with a group of other individuals by virtue of genetic, geographical or other contingent factors)? There must be, therefore, an irreducible core of subjective, individual choice at the root of the goals of a private organization. Members must have at least some minimal degree of individual commitment to the normative order of the organization *before* they join it, and hence this commitment cannot be truly normative. It does not arise via processes of consensus formation that take place *within* the organization.⁶

Just as in exchange relationships, then, members and potential members of private organizations do not need to come to any agreement with other members in order to judge whether membership (joining or remaining within the organization) is in their individual interest. In Hirschman’s well-known terms, the availability of the option of ‘exit’ means that the *de facto* validity of the normative order of the organization remains a matter of parallel individual agreement rather than joint agreement; of egoistic strategic calculation rather than the consensual recognition of redeemable normative validity claims. Thus the context of the private organization *per se* ensures that authority need not be related to any substantively legitimate goals, and the emergence of a system remains a coherent possibility. We should note that ‘legitimation’ in this very limited sense of the existence of multiple individual agreement to the normative order of the

⁶ We will see in chapter 6 that Habermas accepts that the existence of preferences which are the result of what he calls ‘prior self-formative processes’ are of some relevance in exchange relationships. The point we are making here is exactly the same: the choice of organizational memberships is influenced by pre-existing normative and subjective commitments. While it could be argued that it is merely empirical need which is at the root of organizational membership in the employment context, and that there is no measure of free or rational agreement to the normative order of the capitalist enterprise on the part of the employee, we might equally well argue, first of all, that for many more fortunate workers, the choice of employer *is* a positive one, but more importantly, second, that the employee arrives at the workplace already equipped with general cultural knowledge about work and the employment relationship which is a vital factor in his or her strategic calculations about the balance between the obligations and rewards of organizational membership; about what it is and is not reasonable for an employer to expect from an employee and vice versa.

private organization is the structural analogue in the power medium of the mutually positive marginal utility of an exchange.

(ii) *The characteristics of power-steered interactions in private organizations*

So, in becoming a member of a private organization, individuals agree to carry out the (pre-existing) normative order of that organization. Indeed, carrying out or participating in this normative order is what attracts individuals to membership in the first place. In this sense it is membership itself which is to be desired. However, the normative order also imposes costs — it involves obligation as well as entitlement — and it may be the case that an individual's 'net' interest in membership is negative, in which case it will simply be abandoned. Only the individual can know the point at which membership becomes a net cost. This is structurally analogous to the potential participant in an exchange discovering that there are no deals available at a profitable exchange-value and therefore simply doing without the commodity sought (or without the profits from the sale of that commodity).

The primary obligation that arises from membership is compliance with valid instructions issued by office-holders. This obligation is owed to the organization itself, which is to say it is simultaneously owed to all of its members and office-holders. In a sense, the very concept of office within an organization is a means of saving organization members from their own strategic selfishness. Members' interest in membership will not be satisfied unless the organization actually functions, but the strategic rationality of members acts precisely in opposition to the possibility of this functioning. Office-holders articulate the interests of the members *qua* components of the organization, against the articulation of the interests of members *qua* individuals which is the effective role of the member on the receiving end of an instruction.

Given that members of the organization are strategically acting, it is rational for them to seek to avoid complying with instructions (something which we assume represents a cost to the member) if such avoidance is compatible with retaining membership. They will only comply, then, if in so doing their net interest in membership remains positive, and if by refusing they risk losing membership. In the vast majority of private organizations it will be within the competence of office-holders to expel individuals from membership if they do not comply with legal instructions. Members must therefore be able to distinguish legally valid and legally invalid instructions, or in Habermas/Parsons' terms, must recognize when an office-holder has sovereignty over them. For office-holders in the organization, the logic of interaction is parallel. Their role in the organization is to issue valid instructions, and they will seek to maximize the range of instructions with which members are prepared to comply while voluntarily remaining in

membership. Office-holders obviously must also be able to distinguish legally valid and legally invalid instructions.

At this point it might appear that knowledge of the individual situations of members of the organization is of no relevance to anyone except the individuals themselves. Neither members nor office-holders appear to have any control over the scope of sovereignty of office-holders. If an instruction is valid, then an office-holder has no choice but to issue it and the member to whom it is directed must either comply or, if the instruction is such as to make membership a net cost, leave the organization. It is only the individual situation of the organization member that is of any consequence here. The legal specification of the membership relationship, however, can never be so detailed as to leave no room for interpretation. Certainly there are some issues which are straightforward, such as whether the participants are within the spatio-temporal confines of the organization, whether the person issuing the instruction is in fact an office-holder etc. However, there inevitably will come a point at which the scope of sovereignty of an office-holder cannot be unambiguously defined. Now, in a formal sense the office-holder is empowered to decide unilaterally what is a correct interpretation of the legal order. There is no explicit requirement for agreement as there is in the case of exchange where neither participant has a greater right to interpret the market.⁷ Nonetheless, the office-holder has to be aware of the possibility that exercising his or her legal authority to the fullest possible extent risks losing members as individuals decide, depending on their situation, that the obligations of membership outweigh its rewards. The office-holder obviously cannot know where this watershed will be for the members under his or her command. Similarly, for members to accept as valid *any* instruction which remains within the letter of the legal order of the organization would violate the strategic principle of maximizing returns by minimizing costs. We can argue, then, that the scope of sovereignty of an office-holder must in the final analysis be the subject of negotiation. Just as with exchange, a process of joint optimization occurs. Office-holder and member must *agree* a scope of sovereignty of the office-holder that maximizes the office-holder's successful instructions (against the possibility of losing members) while minimizing the member's obligations (against the possibility of being expelled from membership).

So, where actors in money-steered interactions seek to maximize profit by comparing their situation with a model which includes known elements of the objective world — the use-

⁷ Habermas makes the point that power-steered relationships do not share the inherent structural balance of those steered by money, arguing that office-holders have the power to determine which collective goals shall count as valid, and thus have control over the definition of the generalized value of effectiveness in a way which is not possible with utility. Allowing for the distinction we have drawn between private and public organizations, this is in fact the same point. Whereas the solution in the public context, where goals are generalizable, is to introduce some process involving consensus formation in language, the aim of which is the agreement of collective goals, in the private context, where goals are not generalizable, structural balance is achieved via the negotiation of rule-systems.

value of the commodities in question — and a summary of the unknown individual situations of members of the reference community, actors in power-steered interactions instead seek to minimize compliance/maximize obedience by comparing their situation with a model which includes both known elements of the *social* world — the formal legal context, to the extent that this is unambiguous — and a summary of the (unknown) individual situations of the other members of the organization. Information on the latter subject comes not from the members themselves, but from sociological generalization. Participants refer to the historical evidence about those situations in which instructions were deemed valid, which is to say the statistically established patterns of compliance. The point is not to determine whether or not an instruction is valid in any substantive sense, but to assess on the basis of the empirical evidence the probability that a refusal to comply will lead to expulsion from membership, or the probability that insisting on compliance will lead to resignation. If situations arise that do not fit into these empirically established patterns, then the scope of sovereignty has to be redefined either through formal or informal bargaining processes, just as the scope of profitability is redefined through bargaining on price where the characteristics of commodities or the marginal utility of the commodity to participants are not those assumed or implied in the market model.

(iii) *The rational structure of communication in private authority relationships*

Once again, we can specify the process of command and response that leads to the agreement of the scope of an office holder's sovereignty according to the structure of communication which we outlined for the case of communicative action within voluntary reference communities. The relevant reference community is straightforwardly the organization itself. The interpretative precedent set by the agreement that an instruction is valid affects only those who have agreed to be bound by the legal order of the organization.

The first step taken by our strategic organization member is to decide whether the individually-accruing benefits arising from the objects, structures and practices of the private organization are desirable. We can assume both that accepting authority is in principle an acceptable way of achieving collectively desired goals and that the actor will do without the entitlements of membership, however desirable, if they do not outweigh its obligations in the sense of those instructions with which s/he is obliged to comply. The rational member will not simply accept any level of net benefit, however, but, assuming that the entitlements of membership are invariable, will seek to minimize his or her obligations. Actors will only comply with instructions if to refuse will lead to expulsion.

The second step taken by the actor is to ensure that the formal objects, structures and practices of the organization (including the particular instantiation of this normative order in the

form of the instruction itself) are legally permissible. There are any number of potential examples of private organizations violating legal norms, which might include the exclusion of women, ethnic minorities or any other ‘non-relevant’ category of person from membership, or the discriminatory allocation of membership entitlements; the reservation of office to particular individuals on some unjustifiable basis; or the socially or environmentally damaging consequences of the pursuit of certain objects.

The final step is to ascertain that the particular instruction is coherent with the formal objects, structures and practices of the reference community, which in this case is to say that the instruction falls within an agreed, jointly-optimal scope of sovereignty. Since both member and office-holder are strategically-acting, each is entitled to believe that the other will attempt to minimize or maximize the range of valid instructions and that they will not agree a scope of sovereignty where they believe there is a reasonable probability that it can be improved upon (from their particular perspective). Joint optimization therefore actually arises consequent on both parties separately attempting to optimise their gains. Starting from the basis of a scope of sovereignty redrawn to take account of any elements of the situation which are without a precise existing precedent but which lend themselves easily to interpretation, participants will negotiate in the attempt to discover the point where the value of membership to the individual balances the duty of the office holder (for the failure of which s/he will be held responsible) to enforce the legal order of the organization. These negotiations will either result in an agreed scope of sovereignty, which is to say that both participants independently accept that they are unlikely to be able to get more from their interlocutor, or one or other participant will not accept this and expulsion or resignation will follow.⁸

(iv) *Aggregation and reflexivity of interaction outcomes*

Just as with exchange, the strategic capability of individuals presupposes the existence of the legal order of the private organization. This legal order could not have come into being except through processes of consensus formation in language. However, once it is in existence it is the strategically-motivated compliance of individuals that reproduces and validates that order. Participants refer to the *de facto* valid established interpretations of the system of rules in order to determine the outcome of interactions, but the unavoidable ambiguities in any legal order can lead to the renegotiation of the scope of sovereignty, changing the meaning of the rules for subsequent interactions. Not only do rules ‘apply themselves’ under these conditions, then,

⁸ In real world situations, i.e. within employment relationships, while high labour turnover can certainly be a problem, it is more usually the possibility of strike action or forms of employee recalcitrance other than resignation which office-holders seek to avoid.

linking up in unforeseen ways, but the legal order of an organization is subject to unplanned and unintended change by virtue of the fact that members act strategically on the basis of sociological generalizations.

5.3 RESPECIFYING THE CHARACTERISTICS OF THE MONEY AND POWER MEDIA

Through a criticism of Habermas' account of the money medium, and a consideration of how the power medium might operate within private organizations (those with non-generalizable aims and values), we have shown that the two media can be specified in more detail and in much more precisely parallel terms than those proposed in the Habermas/Parsons account. We have construed both the market for commodities and the private organization as reference communities for non-generalizable norms. Membership of these voluntary reference communities carries both obligation and entitlement. There are two major differences between the media. First, in the case of the power medium, agreement to membership, the fulfilment of obligations and the drawing of entitlements are temporally separated such that the membership relationship extends over a long period and involves many interactions. In the case of exchange, on the other hand, membership, obligation and entitlement, although conceptually separate, are exhausted in a single interaction which may last only seconds. Second, while neither of the parties to exchange has a privileged entitlement to interpret the market, the office-holder in a power relationship is formally entitled to insist upon a particular interpretation of the legal order of the organization — even though in practice s/he may be forced to accept a compromise position in order to retain members.

Table 5.2 (over the page) summarises the characteristics of the two steering media, setting out the logical structure behind a hearer's reaction to an offer of communication in our two media-steered contexts. Recalling our discussion of the legitimacy of non-generalizable norms, we can see that this rather complex structure is what takes the place of a normative validity claim as the rationally motivating force behind communication in systemic contexts.

This is not communicative action, however. It would not be accurate to say that the meaning of a speaker's offer or instruction includes the claim that the various conditions do obtain since the speaker is in no position to know anything about the most crucial element, the situation of the hearer, at least not in the strict sense of knowledge dictated by the principles of formal pragmatics. *Instead, the speaker's statement is made with the backing of pertinent statistical evidence, that is, probabilistic claims about the functional characteristics of the system.* Whereas in informal contexts of action communicative actors can be *certain* that if the claims underpinning an offer of communication are accepted then that offer will be successful, actors in formally-organized contexts can never be certain of anything. Even if a hearer accepts that the claims which underpin a statement made in a systemic context are, in their own terms, wholly

redeemable (i.e. justified on the basis of the empirical evidence), this is still no guarantee that they will accept the ‘offer of communication’ and act appropriately. Speakers can only ever be sure that it is *likely* that from a range of hearers, a certain proportion will comply. This is arguably precisely what Weber means when he says that an organization exists only insofar as we can say that ‘there is a probability that certain persons will carry out the order governing the organization’.⁹

Table 5.1: Action-level characteristics of social interaction in media-steered contexts

	Exchange — logical structure of the decision to accept an offer	Private authority relationship — logical structure of the decision to comply with an instruction
Internal validity of general aims & values	<p>Actor's assessment of the marginal utility of commodity (based on its physical characteristics and actor's individual situation) is positive.</p> <p>Actor accepts the principle of distributing commodities via exchange with a view to profit.</p>	<p>Actor's assessment of his/her interest in membership (based on the organization's objects, structures and practices and his/her individual situation) is positive</p> <p>Actor accepts the principle of organizing goal-achievement via hierarchical bureaucratic authority relationships</p>
Legitimacy (permissibility) of general aims and values	Actor knows that exchange of commodity in question with a view to profit is legal	Actor knows that organization's objects, structures and practices are legal
Coherence of particular interaction with general aims and values	<p>Actor compares proposed price with market price, taking objectively determinable differences in use-value into account in order to assess scope for negotiation; following negotiation to exhaustion (if needed), assessment made of the probability of a more profitable deal being available elsewhere in the light of the remaining divergence between proposed price and market price. If this probability is low, and providing the exchange is profitable at the negotiated price, then deal will be struck.</p>	<p>Actor compares instruction with <i>de facto</i> established interpretations of legal order, taking objectively determinable differences in the situation into account in order to assess scope for negotiation on scope of sovereignty; following negotiation to exhaustion (if needed), assessment made of the probability of retaining membership if instruction is refused in the light of the remaining divergence between instruction and established practice. If this probability is low, and provided the net interest in membership remains positive, then instruction will be accepted.</p>

5.4 SUBSTANTIVE RATIONALITY IN MEDIA-STEERED CONTEXTS: VALIDITY, FAIRNESS AND EFFECTIVENESS

Earlier in *Economy and Society*, Weber provides us with another important insight:

Statistical uniformities constitute understandable types of action, and thus constitute sociological generalizations, only when they can be regarded as manifestations of the understandable subjective meaning of a course of social action.¹⁰

⁹ Weber 1977, p49

¹⁰ Weber 1977, p12.

What we have hopefully just shown is that one ‘understandable subjective meaning’ of the statistical uniformities which inform action in systemic contexts is precisely that these uniformities are *meaningless*, being simply the aggregate result of multiple social interactions conducted by strategically-rational actors. Although we have had to modify Habermas’ action-level account of social interaction in systemic contexts in order to argue that this is the case, it seems that actors can indeed treat the functional characteristics of social systems as if they embodied no legitimate norms, recognizing in the actions of the other actors who together form those systems only the same strategic, individualistic motivation by which they themselves are driven.

In modifying Habermas’ account of systemic social relationships we have shown that the structure of communication in formally-organized contexts exactly parallels the structure of communication in the informal context of reference communities with non-generalizable norms and values. We have argued that what is missing from Habermas’ account is the recognition that without the context of the system itself in the sense of the historical record of completed interactions, strategic action is not possible. It is only the existence of a systemic context that enables actors to determine the issue of the coherence of an interaction with the general aims and values of the reference community (see table 2, above) via strategic negotiation rather than the attempt at consensus formation in language.

However, we will now argue that there is a clear alternative to the ‘understandable subjective meaning’ of meaninglessness. We want to suggest that for every formal-legal element or claim to validity in the structure of communication in systemic contexts, there is an underlying substantive claim, and that it makes sense to suggest that in most interaction situations some or even all of these claims are redeemable. This is to say that the association of action and outcome arises because a market price or an instruction is in some sense *substantively* valid, and hence that actors will for all intents and purposes be rationally rather than merely strategically motivated to act. The observed statistical regularities of price and compliance with authority that characterize social systems, can be interpreted as the result of non-strategic behaviour on the part of participants in exchange and authority relationships. They strike deals and do what they are asked because they recognize the normative rightness of the prices and instructions involved.¹¹

The sense in which this validity is substantive, as we have tried to demonstrate, cannot be exactly the same sense in which the normative claims raised by communicative actors are

¹¹ We will argue below (section 5.6(d)) that social interaction in systemic contexts involves what we might call a ‘meta-claim’ about the meaning of action, i.e. speakers make claim about the validity basis of an offer of communication itself, i.e. whether it is intended to be merely formal or procedural, or substantive.

potentially valid. That which is merely probable does not have the same logical force as that which is certain. Nonetheless, we want to argue that there are plausible substantive explanations for observed patterns of conformity to the price norms of the market and the legal order of organizations which are perfectly meaningful, commonplace and logically coherent. In fact, since it is only the existence of the market or legal context that enables participants to act strategically, we are obliged to propose some explanation of this sort even if we ultimately wish to argue that media-steered interactions are valid only in an empirical sense.¹² The *emergence* of systemic contexts has to be explicable as the result of normatively valid social interaction.

5.4(a) Fairness: the substantive validity of exchange and the evolution of markets

While we could easily expend an entire chapter discussing the nuances of the word ‘fair’, we will restrict ourselves simply to proposing a definition which applies in contexts where co-ordinated social action does not involve the pursuit of a general interest. Fairness, we suggest, involves taking the individual interests of all participants in co-ordinated social action equally into account. It involves the balancing of non-generalizable interests, *taking the place* of a general interest as the normatively valid goal of co-ordinated social action. Our proposal, then, is that the *de facto* validity of the price norms of the market could in principle be a consequence of participants recognizing that these norms express fair exchange-values. If this is the case, any exchange relationship that involves an exchange-value coherent with a market price will be a fair exchange relationship. However, this is still a circular argument. We need to consider what it is that can give the market this inherent normative validity in the first place, i.e. to define a fair exchange relationship in isolation from a market context, and to show how the market can emerge on the basis of such substantively valid exchanges.

We can say immediately that a legitimate exchange relationship, given that it involves aims and values which are clearly non-generalizable, will follow the structure of communication we outlined above with respect to voluntary reference communities. Exchange will be legitimate (that is, permissible and thereby morally or legally enforceable) where the parties freely agree to pursue their individual interests via exchange, where exchange involving the commodity or commodities in question is a permissible form of relationship and where the equivalence between commodities expressed in the exchange value is itself in some sense substantively rational.

In all of what follows it should be borne in mind that it is never going to be possible to give a precise formulation of what makes for a fair exchange. In any case that is not our aim. The

¹² ‘A social order resting on interlocking of interests alone, and thus ultimately on sanctions, is hardly empirically possible though perhaps theoretically conceivable *given the order as an initial assumption*.’ Talcott Parsons, quoted in Habermas 1987, p208; emphasis added.

point we are trying to make here is merely that the concept has some substance, that it is plausible to argue that exchanges can be socially sanctioned in a substantive sense such as to give rise to the binding/bonding force of criticizable claims to validity.

(i) *The internal validity of exchange*

We argued above that it is possible for an actor to decide to participate in an exchange and to keep his or her end of a bargain, *only* because the exchange in question appears to be the best available means of increasing his or her net utility. Where actors approach exchange with this attitude we cannot say that they recognize the rights of their exchange partner in any categorical sense. They owe their partner the fulfilment of their side of the deal only in a hypothetical sense, because if they do not fulfil it, then their own interests will not be served.

It is certainly the case that the actions of participants in exchange cannot be rationally motivated in Habermas' strong sense. At the core of formal pragmatics is the internal, logical or necessary connection between legitimate norms and co-ordinated social action. The only actions which are obligatory in a categorical sense are those which are logically coherent with the legitimate aims and values of a social group. As we have seen, in contexts where co-ordinated action is the logical consequence of a non-generalizable, non-legitimizable norm, the obligation to act that arises cannot be logically related to the action itself since categorical obligation can only arise from legitimizable norms. Nonetheless, it *can* derive from the agreement between participants, the mutual promise to undertake certain actions. There is every reason to suppose that the keeping of promises is a generalizable norm and therefore there is no necessary reason why participants in exchange should not look upon their contractual duties as binding in a moral as well as an empirical sense. The normative order to which they agree in entering a contract involves the aim of profit for both parties, and thus each party *owes* the other the increase in net utility that s/he expects to receive.

However, the agreement of the participants, no matter how sincerely intended, is not enough in itself to qualify an exchange as permissible. It is certainly a necessary condition, but it is not a sufficient one. The normative order of the exchange relationship must be permissible independently of the agreement of the parties to it.

(ii) *The permissibility of exchange itself*

Exchange represents an agreement between the participants in interaction that they either currently have no social obligation to assist each other in their aims without the expectation of recompense, or will for the duration of the exchange suspend any such obligation. Rather than agreeing that they should identify common goals and find some means of pursuing them, speaker and hearer agree instead that they should conduct exchanges in order mutually to increase their individual net utility. They agree that they will not coordinate their actions in order to promote their common interest, but to promote their separate, individual interests. Now it is by no means obvious that exchange is an acceptable form of social interaction. Weber's *Protestant Ethic*, for example, demonstrates brilliantly the non-naturalness of the principle of distributing commodities via exchange. It would not be appropriate to engage in a detailed discussion of whether exchange

is, in principle, defensible. There are any number of arguments that could be made against it and in favour of some other mode of distribution of commodities. Empirically, however, we can say that the principle of trade, of distributing commodities via exchange with a view to profit, is generally acceptable now and has been for many centuries and across many cultures. For our current purposes, we are concerned only with whether exchange has historically represented a legitimizable form of social relationship. There can be little question that it has.

That having been said, it is also clearly the case that exchange cannot be permissible in the unqualified sense applying to many other types of relationship with non-generalizable aims and values, like friendship. For example, as we noted above, the possession of certain commodities is simply impermissible and therefore so is their exchange. There are also commodities the possession of which is perfectly legal but whose distribution via exchange (for profit) is either impermissible or highly controlled. We should note that impermissibility and legality in this sense do not always coincide. To give a contemporary example, there are many who would argue that certain countries in Africa should be supplied with drugs for the treatment of AIDS either free or at non-commercial rates. However, the drug companies insist that they have the legal right to charge the same prices as are charged to, for example, private sector healthcare providers in Europe.

Clearly the most important qualification on the general permissibility of exchange, however, is that it applies only to those exchanges which are fair. To be acceptable, the normative order of the exchange relationship must include the aim of taking equal account of the interests of all those who are involved the co-ordinated action which is involved in carrying it out. For the moment we are assuming that the market does not exist, and that the participants in co-ordinated action are only those individuals who are directly involved in the exchange.

(iii) The fairness of a particular exchange-value

The final part of the 'legitimacy equation' is whether the particular exchange value settled upon is fair. As we suggested above, fairness is rather an elusive concept, but this certainly does not mean it makes no sense. In the absence of the market and of any consideration of the particular material situation of the participants, the only non-arbitrary basis for the determination of fair exchange is the physical properties of the commodities involved in the wide sense of their usefulness, scarcity, and substitutability. On this basis it could plausibly be argued, for example, that one chicken is equivalent to one rabbit, or to a leg of lamb, or to a kilo of cheese, or to a dozen oranges. In principle, there seems no reason why a fixed system of valuing commodities purely on the basis of their physical characteristics should not be developed.

However, we cannot maintain that the particular material situation of participants in exchange is of no relevance to the definition of fairness. It would seem very odd to argue that a person who has more of some commodity than s/he could possibly use should receive exactly the same in exchange for that commodity as someone who has a very small quantity of it.¹³ Similarly, it would be unreasonable to say that someone who possesses some commodity which is of great use to him or her should be expected to exchange it at the same exchange value as someone who has no use for it at all. At the root of both of these intuitions is the recognition that the interests of participants in an exchange are relative to their individual situations, and therefore that in order to take the interests of both equally into account, not only commodities but the participants must be considered. Thus rather than use-value, it seems much more intuitively plausible to argue that it is not only the physical characteristics but also the *marginal utility* of a commodity — as we saw above, its usefulness to a particular individual given the amount of it s/he already possesses — that form the conceptual basis of fair exchange. The fundamental normative principle here is that it simply is not right that someone should acquire or retain a commodity which is useless to him or her if it is useful to someone else; or to possess more of that commodity than s/he can use. By inference, the greater the ‘usefulness-gap’, the less right it is for the participant for whom a commodity has the lower marginal utility to seek to acquire or retain it by respectively offering or insisting on a more advantageous exchange-value. Levels of profit, in other words, should not be excessive.

If we assume that in principle the component of exchange value accounted for by the physical characteristics of commodities is both more or less fixed and universally known, then we can see that a socially-sanctioned exchange-value is genuinely normative. The variable component in an exchange-value expresses a contingent relation between two individuals in the sense of representing a judgement about the relative importance of participants’ needs and desires in the light of their existing material circumstances. To say that an exchange-value is fair is to do more than comment on the relative usefulness and availability of the commodities involved. It is also to say that *the relationship between the participants* in the course of which those commodities are exchanged is permissible, deserving of the support of society.

¹³ As with many of the arguments we are making here, the evidence in support of this point is primarily cultural and to make the case properly would require a discussion similar to Weber’s in the *Protestant Ethic*. This is obviously not the place to enter into a full-scale discussion of that kind, but on the point that the substantive value of commodities or money is relative to the situation of the individual we might at least cite the biblical lesson of the widow’s mite (Mark 12:43), where the author’s intention is clearly to demonstrate that the absolute, moral value of money depends on the resources of the person who gives or spends it.

(iv) *Fairness and markets*

In principle, once even one exchange-value has been agreed and socially-sanctioned, then others can be agreed simply by analogy, even if in subsequent exchanges participants act strategically. Exchange-values reflect or encode both the objective 'is' of the physical characteristics of the commodities involved and the social or normative 'ought' of the relationship between the participants. An exchange-value agreed by reference to the relevant differences between the commodities involved and the participants' circumstances in the instant case, and the same components of an already-completed exchange which is known to have been fair, is by definition also fair. We can assume that any relevant differences in the physical characteristics are clear to both participants and are taken into account in their offers and responses. Although participants will not know the particular circumstances of the individuals involved in the original fair exchange, it is nonetheless justified to assume that any differences in circumstances will be reflected in the exchange value. Even after the participants have taken account of any relevant differences between the commodities in the original exchange and those currently involved, it may still be the case that for one or other participant the adjusted exchange-value is either not profitable at all, or is insufficiently profitable. If this participant is able to persuade his or her potential partner to accept a deal at more advantageous exchange-value, then we can still argue that this will be a fair deal on the grounds that otherwise the other participant would not have accepted it. We are entitled to argue that this agreement is genuine only if both participants are free to walk away but are also both aware that the terms of the original deal are public knowledge and will be the universal reference point for offers and responses. Participants are in this sense free to investigate how different their circumstances are from those of the participants in the original fair deal, and whether there are potential partners in exchange with 'matching' differences in marginal utility in the other direction.

There is a problem with this idea of an 'original' fair exchange, however, which is that once it is used as a basis for the derivation of other exchange-values, it arguably ceases to be a valid reference point itself. If an exchange is used as a reference point, then the actions of the participants in the second exchange are co-ordinated with those of the participants in the first. The relevant reference community is enlarged to include all four participants. While the first and second exchanges do not thereby become unfair in themselves, any subsequent exchanges will need to take account of *both* of the established exchange-values in reaching a deal in order that this third exchange-value take account of the situations of all six participants in co-ordinated action. And so the process continues, quickly reaching the point at which it is only the statistical distribution of agreed exchange-values that provides a comprehensible guide to fairness. *Thus the*

(variable) distribution of exchange-values takes the place of a single fair exchange as the objective reference point for fairness and we have a market.

What the institutionalization of utility as money adds to all this is ease of comparison between exchanges involving different commodities. Certainly this is possible without a medium of exchange — if a sheep is worth four hens, and a two hens are worth a piglet, then a sheep is worth two piglets etc — but the expression of exchange-value in terms of a universal medium permits an instant assessment of the profitability of proposed exchanges and allows the consequences of variations in value to be assimilated into the market system quickly and smoothly. Above all, money makes it clearer that to participate in an exchange is to accept membership of the vast voluntary reference community represented by the economic system. Through the medium of money, the movements of commodity prices are inextricably interconnected. In agreeing a price, the participants in an exchange affirm, renew and contribute to the level and validity of the market price. This in turn affects the market price of other commodities.

As a consequence, and perhaps counterintuitively, the component of fairness that derives from the original exchange is only maintained if participants act strategically, i.e. if they have a view solely to profitability and do not attempt to strike a deal through the use of threats or normative appeals. Any exchanges within a market which do not proceed strictly according to the rationality criterion of profitability will disrupt the fairness of market prices. If the circumstances of some participant or group of participants are, for whatever reason, given more weight than those of everyone else by asking or offering a lower or higher price, then a market price affected by these privileged exchanges will be distorted. It will not be fair because it does not take equal account of the circumstances of all potential participants as encoded in their offers and responses. Every practice which violates the canons of free trade — for example monopoly, monopsony, tariff barriers or price-fixing cartels — amounts to a situation where the circumstances of one or more participants in a market count for more than those of the others. Monopolies and monopsonies are simply not markets since the only circumstances that count in price determination are those of a single supplier or buyer. Tariffs privilege producers in one country over those of another, and cartels one group of producers, however defined. These larger-scale examples of anti-competitive behaviour are generally unlawful whereas something like offering a special deal to a relation or neighbour is not, but they are nonetheless logically a single type. What should be clear is that the *economic-technical* criterion or assumption of perfect competition can also be understood as a criterion for the *moral* acceptability of the capitalist economic system.

We suggested above that the relevant reference community for the assessment of the fairness of exchange consists of everyone who is in the market as a buyer or seller of any commodity, which is to say virtually all of society. A fair price should therefore take account of the interests of every member of society in their capacity as market actors. To put the point another way, if every exchange results in a distribution of commodities between the immediate participants which is fair, then the whole system of exchange will have outcomes which are fair. Therefore, returning for a moment to the characteristics of steering media, we can say that the ‘real value’ underpinning money-steered exchanges, structurally analogous to the realization of legitimizable collective goals, is not just ‘use-values’ but *the fair distribution of use-values*.

(v) ***Sociological generalizations and rational motivation***

What we have hopefully shown so far is, first, that the concept of a fair exchange is coherent and second, that at least in principle the normative validity of a ‘primal exchange’ can be maintained and transmitted through the market. Once again, however, we run hard up against Habermas’ point that presumptively valid norms derived from sociological generalization are not rationally motivating. Even if a market price is *de facto* valid in a statistical sense, then, it seems we are not entitled to infer that rational motivation to comply with the terms of an exchange will arise, because participants are logically unable to recognize that the market price is as it is because it is fair. We intend to propose a solution to this problem, but as it also arises with respect to the power medium in private organizations we will do this after we have discussed the possibility of substantive validity in power-steered interactions.

5.4(b) Effectiveness: the substantive validity of authority

The defining characteristic of a power-steered context is that the normative order by which the participant agrees to abide in accepting membership of an organization involves the co-ordination of action toward the realization of collective goals via relationships of authority. This same normative order includes a commitment to the satisfaction of the individual interest of all members of the organization in the realization of the collective goal. It is therefore possible that members will be categorically obliged to accept authority by virtue of the fact they have agreed that other members of the organization have certain entitlements. This obligation will only arise, however, where the kind of authority relationship involved is itself legitimate (permissible), just as it is only fair exchanges that give rise to an obligation to abide by the terms agreed. In the following subsection we will briefly discuss the conditions under which authority can be legitimate in the sense of giving rise to absolute or categorical obligation to comply in order to

inform by analogy our discussion of what might make authority within private organizations permissible on the level of society.

(i) *Legitimate or categorical authority in informal social contexts*

Following the rules of formal pragmatics, we can say that the normative validity claims recognized by those who accept authority must be such as to provide an internal or necessary connection between the relationship of command and response and legitimizable collective goals. In modern societies, where authority relationships based on some traditional principle of social stratification like caste, class or age are no longer acceptable, this logical link is provided by effectiveness. The ‘advance of trust’ of which Habermas speaks is the subordinate’s trust that it is appropriate to obey the superior’s instruction even though prior to acting s/he is not in possession of a full understanding of exactly why obedience would represent an effective means of realising collective goals. If obedience *does* represent an effective means of realising collective goals, then the subordinate should obey, but the subordinate will not be in a position to assess whether this is the case until *after* the action is completed. Hence the need for trust. This is in contrast to the painting exhibition example, where both actors are equally competent to decide on the validity of the ‘this’ component of ‘we should do this’ — visiting the exhibition — *before* any action is taken. Similarly, in pre-modern authority relationships, participants will all have been aware that the rightness of obedience is not dependent on the empirical outcome of the interaction. Rather it is simply categorically right to obey the orders of one’s betters.

The idea of an advance of trust is important because it is only the inclusion of trust that enables a distinction to be drawn between commands (Weber’s term for normatively authorized instructions) and mere suggestions or proposals. If a speaker and hearer’s shared lifeworld context includes absolutely all the knowledge required to pursue their collective ends, and in the absence of any ‘conditions of sanction’, i.e. any formal-legal structure to their relationship, it is difficult to see in what sense even an imperative communicative act by a speaker involves the exercise of authority. *A priori*, it is at least as likely that hearer issue instructions to speaker as vice versa, and the speaker’s act is surely better characterized as a suggestion or proposal.

The existence of authority based on trust, then, signifies an incomplete sharing of lifeworld contexts. There seem to be two types of situation in which authority relationships can arise in informal social contexts. First, there are situations in which active co-ordination of action is required but where this involves no specialist knowledge or expertise, being simply a question of access to a perspective on action wider than that of the other participants.¹⁴ This wider

¹⁴ This can occur even in quite complex organizational contexts, perhaps the best example being professional partnerships — in which category we can for these purposes include university departments or other academic organizational units — where managerial responsibilities are in many cases assumed simply on the basis of taking turns. Although rather different, Habermas’

perspective is information the other participants in action do not possess and which the coordinator does not attempt to explain before issuing directions. Any person might step in to direct traffic around the scene of an accident, for example, and could expect to be obeyed on the grounds that it is evidently in the interest of all concerned that traffic flows as smoothly as possible and without further incident. The continuing authority of the traffic director is dependent on outcomes — precisely on whether following his or her instructions is *effective* in the goal of keeping the traffic flowing smoothly.

The second type of situation is perhaps more important. This is where one participant is in possession of some specialized knowledge or expertise relevant to the effective realization of the collective goal. Provided that the other participants accept that ‘the expert’ could in principle give good reasons for his or her instructions which are in an internal relationship to the collective goal, and where they accept that the action situation is such that providing such an explanation there and then would be inappropriate — for example, the delay involved might actually be damaging to the collective interest — then co-ordinated social action involving authority relationships can be wholly consensual and thereby legitimate. For example, a passer-by helping a doctor at the scene of an accident complies with the doctor’s instructions because they *both* agree that they must try to save lives (their goal is normatively right), they *both* believe that in complying with the doctor’s instructions the passer-by will be acting in pursuit of that aim (the doctor’s instructions are objectively effective), and they *both* believe that the doctor’s claims to medical knowledge are sincerely made (the doctor has no subjective intent to deceive). To win the compliance of the passer-by, the doctor need do no more than plausibly identify herself as such and issue instructions that are not obviously wrong, i.e. ineffective. In this particular situation, because the norms involved are legitimizable at the level of society, it would clearly be morally wrong (in some circumstances perhaps even criminal) for someone with no good reason to doubt the doctor’s competence or sincerity of intent to question her instructions. In parallel, it would certainly be criminal for someone to claim the authority of medical knowledge without in fact having access to that knowledge. Such a person claims the right to obedience without there being good reasons, based in effectiveness, for that right to exist.

What this brief discussion shows is that in informal social contexts in modern societies we can equate authority with claims about effectiveness that are in principle redeemable *a priori*, before any action takes place. Where participants are acting communicatively, (objective) effectiveness and (normative) authority are inextricably bound up with one another.

own example of a normatively authorized imperative, an air steward asking passengers not to smoke, also falls into this category. The steward has been made aware of the no-smoking rule and the good reasons deriving from the safety of all on board the aircraft which underpin it. S/he is not an expert in aircraft safety, but by virtue of or her training and position has a perspective on action which is wider than that of the passenger.

(ii) *The effectiveness of formally valid instructions*

Just as with exchange, we want to argue that it is possible for members of organizations to judge when instructions represent substantively legitimate (permissible) as well as legally valid authority. Once again, we are guided by the structure of communication in voluntary reference communities. If co-ordinated action is to be substantively as well as formally rational, that is if members of a private organization are to recognize that, as a consequence of their agreement to membership, they *owe* compliance with an instruction to all the other members, then all involved would have to freely agree, first, to the normative order of the organization, recognizing in particular the substantive validity of the regulations that define the competence of office-holders, i.e. that the scope of sovereignty of office-holders can be justified with good reasons deriving from the effectiveness of co-ordinated action; second, that the normative order of the organization does not conflict with that of society as a whole; and third, that the office-holder who issues an instruction is acting within his or her legitimate area of competence, which is to say that compliance with an instruction is indeed an effective means of realising collective goals.

(iii) *The internal validity and permissibility of authority*

Private sector employment is perhaps the most common example of a private authority relationship. If it is not plausible that the normative order of a private sector employer is something to which an individual could freely assent, then we are in some difficulty. It is certainly not obvious that this is that case. As we saw in Chapter 1, writers in the traditional anglophone institutionalist school of industrial relations constructed an entire theoretical edifice on the assumption that the substantive goals of the employing organization were necessarily in conflict with those of employees.¹⁵ In the light of this kind of perspective, what follows may seem to give rather a rosy view of what employment involves, however we repeat that our current interest is only in the *possibility* of agreement in principle.

The typical private sector organization produces some product or delivers some service for which it receives payment. It therefore has a rather complex composite goal that might be rendered as follows: ‘to produce a good quality product that will be sold at a fair price and to distribute the profits among the members of the organization (both shareholders and employees) in a way that fairly reflects their contribution to production’. Certainly we could grant that this is

¹⁵ As we will see in the next chapter employment is arguably also an exchange relationship. The organization need not be understood as a single social group and it may in some circumstances make more sense to construe workers and management or employees and shareholders (depending on one’s point of view) as two composite individuals involved in an exchange. For the moment, however, we will proceed on the assumption that employees (including management) and shareholders form a single social group).

a difficult thing to do in practice, but in principle there is surely no reason why this could not be at the core of a permissible non-generalizable normative order. Similarly, on the basis of the arguments we have made so far, it seems perfectly plausible that the employee who joins such an organization could recognize the multiple relationships of mutual dependence into which s/he thereby enters as legitimate; as giving rise to categorical obligation. In becoming a member of the organization, the employee promises that s/he will contribute appropriately to the realization of the goal, something which is a benefit to all involved. Where an employee trusts that complying with an instruction represents an effective contribution, then s/he will be rationally bound to comply.

(iv) The effectiveness of particular instructions

Adopting once again the strict formal pragmatic perspective, however, we have to argue that there will be many cases in which the effectiveness of an instruction from a superior will be literally indeterminate before that instruction is carried out.¹⁶ The effectiveness of co-ordinated action which is premised on a set of functional characteristics attributed to the organizational system cannot be guaranteed because those functional characteristics cannot themselves be guaranteed. These in turn cannot be guaranteed because they depend on participants' adherence to norms, the validity of which is only determinable in the light of the outcomes of action, which is to say the effectiveness of co-ordinated action. To make the point less abstract, we can say that in the specific case of the operation of the power medium in private organizations, the indeterminacy of the functional characteristics of the organizational system arises for two reasons. The first reason is a consequence of the system's dependence on non-obligatory norms: there is no guarantee that at any time one or more participants will not reassess their interest in membership in the light of the experience of actual instructions that appear to be coherent with the general aims and values of the organization, or that the individual circumstances of one or more participants will change for reasons unconnected with the organization. In either case there is the possibility that certain participants will decide that membership is a net cost to them and simply leave the organization, even though they may fully recognize the effectiveness of a given instruction as a means towards the realization of collective goals. This is what Habermas means when he talks of the danger of 'action sequences falling apart'. The second reason, perhaps the more important in practice, is a consequence of the impossibility of 'narrowly institutionalising all avenues of social action' (to

¹⁶ Unlike in the case of exchange in a market context, we cannot argue that this circumstance will arise in every case since within private organizations it is entirely possible that the effectiveness of certain actions is in principle demonstrable *a priori*. In these circumstances the subordinate party in the authority relationship can put his or her trust in the genuinely technical competence of the superior without reservation, i.e. without the need to resort to sociological generalization.

paraphrase Edmund Leach¹⁷), which in the case of the organizational system would amount to having rules sufficiently precise as to leave no room for interpretation. Even where the members of an organization regard its legal order as an accurate specification of effectiveness, then, there is still a need for some way of closing the gap between rule and action. By definition, this cannot be specified in advance.

So, even if we assume that the organization will not simply crumble, we cannot argue that the precise outcome of ‘carrying out the order governing the organization’ can be known in advance. The functional characteristics of the organizational system will change depending on how its legal order is interpreted in practice.

In practice, organizational actors have two ways of resolving this problem, depending on the nature of the organizational context. On the one hand, and especially if an organization is fairly small, it may well be the case that the formal element of the normative order is a small component in the determination of the outcome of interactions. The consequently large gap between formal rule and action can be bridged by processes of consensus formation in language, processes which for most purposes amount to communicative action. The effectiveness of action can be guaranteed (or, equally, can be questioned) because each participant *knows* how the other members of the organization will react to particular instructions. Certain norms, certain ways of doing things are known to be valid within the reference community formed by the organization because there are ongoing processes of consensus formation in which the validity of these ‘ways of doing things’ is confirmed and if necessary revised.

On the other hand, we can once again point to the ability of individuals to act on the basis of probabilistic propositions derived from an analysis of historical evidence, although the evidence — the association of the actions of members in response to instructions with outcomes at the level of the organization — will be understood in a different way by actors whose concern is with effectiveness than those whose aim is to minimize the compliance needed to remain a member of the organization. There are basically two ways in which the evidence can be interpreted. First, particular office-holders or groups of office-holders (those associated with successful interactions) can be deemed to have a certain expertise with respect to the functional characteristics of the organizational system. Organization members may come to believe that such office-holders could in principle explain the rationale behind their instructions in understandable terms, perhaps because the office-holders have always shown themselves willing to do so. Second, the interpretation may be less personalized, instead taking the form of an

¹⁷ Quoted by Pierre Bourdieu in *The Polity Reader in Social Theory* (1994), p96.

understanding of what constitutes effective action within the organizational system, or a ‘recognition’ that the system has certain functional characteristics.

All of these three possibilities — and we do not suggest that these exhaust the range of ways in which an instruction may be subjectively understood as valid — by definition involve participants taking a view about the validity of a series of norms which on Habermas’ view they are not entitled to take (although the second and especially the third are much more clearly in violation of the principles of formal pragmatics). Nonetheless, it must surely be wrong to suggest that where compliance with instructions is subjectively understood as rational this is illusory (from the actor’s perspective) or epiphenomenal (from the systemic perspective).

5.4(c) Fair dealing and cheerful obedience: the non-binary nature of interaction outcomes in systemic contexts

So far we have argued simply that a communicative attitude on the part of participants in private relationships of exchange or authority is required for the emergence of systemic contexts. We have yet to establish — beyond the simple assertion that it appears to be possible — both that the communicative attitude is sustainable beyond a certain point in the development of such contexts, and that it would make a difference if it were. Before moving on to attempt the former task, we need briefly to consider the latter.

(i) *Exchange*

Actors who approach exchange with a communicative attitude are aware that a market price represents a social standard of fairness. They are also aware, however, that buying or selling at the current market price does not in itself guarantee that an exchange is fair. Rather, fairness is defined by reference to the market price *and* the relative material situations of the parties to an exchange. A fair exchange is one in which the relationship between the parties implied by their relative material situations is liable to social support. It is one in which the fairness of the distribution of use-values is sustained or improved. In practice, this may mean that there is a difference between the price which it is empirically possible for one party to extract from the other, and the price that *should* be charged. We argued above that the substantive fairness of an ‘original’ exchange can in principle be transmitted via or carried by the economic system as a whole on the basis of strategic action by subsequent market actors, but this will be the case only where certain conditions obtain. What we have to assume is that the parties to the exchange are aware that these economic-technical conditions do not in practice obtain and hence that they know that a purely strategic negotiation may not result in a fair outcome. In these circumstances, the actor with a communicative attitude will not simply exploit any bargaining advantage that

s/he possesses, but will resort instead to a *cultural definition of fairness* as a reference point for the settlement of an exchange-value. Hence it is clear that unless the bargaining conditions are perfect, the adoption of a communicative as opposed to a strategic attitude towards the settlement of exchange-values will indeed result in a different outcome.¹⁸

(ii) Authority

The variability of outcomes depending on the initial attitude of actors is perhaps rather easier to appreciate in the case of private authority relationships. The strategic actor is not concerned with the effective achievement of collective goals, but is rather seeking the most effective means of pursuing his or her individual interest. As with the case of exchange, however, these two situations ought in principle to be parallel — the subordinate's pursuit of his or her private interest should coincide with the effective pursuit of 'the order governing the organization'; and where compliance with instructions is agreeable to subordinates, this compliance should be effective with respect to the realisation of collective goals. But also as with exchange, this is often and perhaps even usually not the case. Managerial plans and strategies rarely if ever represent a 'perfect' means of carrying out the normative order of an organization; which is to say one that aligns the individual and collective interest of the membership.

The communicative organization member will approach interactions with a view to the realisation of the normative order of the group, a normative order the member has accepted as representing his or her interest as an individual, as a member of the organization and as a member of society as a whole. Where an instruction is understood to be basically coherent with that order, the actor will respond in such a way as to resolve any empirical conflict between his or her *individual* interest and compliance with the instruction in favour of the organization. Where an instruction is understood to be incoherent with the order of the organization, the actor will not comply even where it would be in his or her individual interest to do so. So, just as the market actor with a communicative attitude will refrain from pressing home an empirical bargaining advantage, the non-strategic organizational actor will comply beyond the letter of an effective instruction and refuse to comply with an ineffective one, even where there is some individual disadvantage to him or her in so doing.

5.5 SOCIOLOGICAL GENERALIZATION AND RATIONAL MOTIVATION

We are now in a position to make an argument in support of a point we have so far merely asserted. Against Habermas, we have implied that the probabilistic, *a posteriori* knowledge of the

¹⁸ It should be clear, however, that the reversion to a substantive cultural standard of fairness in price determination will tend to correct any deviation from that standard consequent on imperfect bargaining conditions.

functional characteristics of social systems *is* in practice admissible in support of a claim that certain norms are valid. We have suggested that it is highly implausible to argue that participants in action are unable either to predict, or fully to trust in the ability of a superior to predict, the outcome of certain actions in systemic contexts. In short, we have suggested that rational motivation, or something which is to all intents and purposes indistinguishable from it, *can* arise in economic and administrative contexts of action.

This suggestion is potentially of great importance. If we could show that it is indeed possible to approach systemic interaction with *either* a strategic *or* a communicative attitude, and that this makes a difference to the outcome of interactions, then we could obviously also argue that the attitude of actors is a key variable in the determination of the functional characteristics of the system. If we could in addition show that the adoption of one attitude or the other (or indeed of some position intermediate between the two) can be justified with good reasons which follow the structure of communication which Habermas proposes in his formal pragmatics, then we would be able to argue that there is a direct connection between structure and agency; between system and lifeworld.

Our problem at the moment is that we have not been able to reject the logic that drives Habermas to rule out the applicability of formal pragmatics as a theory of action in formally organized context. Quite the contrary: we have accepted that it is precisely the inherent and inescapable indeterminacy of the co-ordination of action on the basis of action consequences rather than on the basis of action orientations that gives rise to the risk of ‘action sequences falling apart’ and the consequent need for empirical motivation (legal sanctions) to ensure that they do not. However, Habermas does not treat the *possibility* of the failure of action co-ordination merely as a possibility. Rather he wholly rejects the alternative possibility, which is that sociological generalizations — claims about the nature of markets or about the dynamics of goal-achievement in administrative structures which are based on the examination of empirical evidence about the actual outcomes of action — can be established as *de facto* valid to the extent that they can amount to elements of the reasoning behind rational, co-ordinated social action. These generalizations, he suggests, are not ‘available as themes within the lifeworld’.

Despite this insistence that system-theoretical propositions cannot give rise to rational motivation, perhaps most clearly stated in the first section of chapter VIII where he discusses the relative positions of steering and communicative mechanisms of co-ordination within organizations, Habermas is nonetheless ambivalent about the actual existence of those conditions of developed modernity under which the validity basis of communicative action in systemic contexts is wholly undermined. He is, quite simply, not prepared to argue that the three spheres of

validity are now finally and completely differentiated.¹⁹ It is interesting to note, then, that in considering the earlier stages of social development where there is no doubt that the differentiation of value spheres is incomplete, Habermas takes a line that appears to open the possibility of resolving the logical problems we have identified with the thematization of external perspectives on society in contexts of social action.

5.5(a) Mythical worldviews

The resolution we have in mind centres on the concept of a ‘worldview’ which figures in Habermas’ theoretical outline of pre-modern societies. In a general sense, a worldview is a ‘cultural interpretive system’ through which lifeworld contexts are understood and which reflects ‘the background knowledge of social groups and guarantee[s] an interconnection among the multiplicity of their action orientations.’²⁰ The existence of such worldviews is most obvious in societies in which the cultural value spheres (objective, normative and expressive) are not fully differentiated. In the mythical interpretation of the world typical of tribal societies, for example, we find a

mixing of two object domains, physical nature and the sociocultural environment. Myths do not permit a clear, basic conceptual differentiation between things and persons, between objects that can be manipulated and agents... magical practices do not recognize the distinction between teleological and communicative action, between goal-directed, instrumental intervention in objectively given situations, on the one hand, and the establishment of interpersonal relations, on the other. The *ineptitude* to which the technical or therapeutic failures of goal-directed action are due falls into the same category as the *guilt* for moral-normative failings of interaction in violation of existing social orders. Moral failure is conceptually interwoven with physical failure, as is *evil* with the *harmful*, and *good* with the *healthy* and the *advantageous*.²¹

For our purposes, the most important thing to note about pre-modern worldviews is that they cannot conceive materiality and morality as distinct from each other. This conceptual inseparability of the normative and the objective has implications for participants in action:

¹⁹ See in particular the discussion of systemic relationship meanings in Habermas 1987 pp185-197.

²⁰ Habermas 1984, p43.

²¹ Habermas 1984, pp47-8; emphasis in original.

The magical relation between names and designated objects, the concretistic relation between the meaning of expressions and the states-of-affairs represented give evidence of systematic confusion between *internal connections of meaning* and *external connections of objects*... Validity is confounded with empirical efficacy... Thus a linguistically constituted worldview can be identified with the world-order itself to such an extent that it cannot be perceived *as* an interpretation of the world that is subject to error and open to criticism. In this respect the confusion of nature and culture takes on the significance of a reification of worldview.²²

Where the objective, the normative and the subjective are still undifferentiated, then, an actor's worldview *is* the world. Actors do not recognize that taking action involves an interpretation of the world which is potentially erroneous: 'the concept of the world is dogmatically invested with a specific content that is withdrawn from rational discussion and thus from criticism.'²³ To give a brief example, the earth-centred cosmology favoured by the 16th century Catholic Church was not simply an inference from the observation of the heavens. Rather it represented an amalgam of astronomy, theology and morality in which the proposition that the sun moved around a fixed Earth was supported not only by empirical evidence — it was, after all, simply common sense that the Earth was not moving at great speed through the cosmos since the things that were on it did not fly off — but by a whole range of intertwined normative, metaphysical and aesthetic commitments. To suggest as Copernicus did that the Earth may in fact move around the sun was therefore to do much more than suggest a more mathematically defensible explanation of the movement of the stars and planets:

The essential dichotomy between the celestial and terrestrial realms, the great cosmological structure of Heaven, Hell and Purgatory, the circling planetary spheres with angelic hosts, God's empyrean throne above all, the moral drama of human life pivotally centered between spiritual heavens and corporeal Earth — all would be cast into question or destroyed altogether by the new theory.²⁴

If the only issue had been how best to explain the observed movement of the stars and planets, the Copernican system (or better, Kepler's modification of that system with the crucial addition of the assumption that the planets had elliptical rather than circular orbits) would clearly

²² *Ibid.*, pp49-50; emphasis in original.

²³ *Ibid.*, p51.

²⁴ Tarnas 1996, p253.

have won the argument immediately. Not only was it simpler and more elegant, it produced more accurate predictions of the positions of the stars at certain times.²⁵ However, the debate was not and could not be confined to the sphere of the objective in this way. In the contemporary Christian worldview, the three value spheres were insufficiently differentiated to permit such a discussion.

This immunization of world-concepts from criticism is even more apparent in the social and institutional arenas. While in traditional societies social organization may well be functional for material reproduction, this functionality does not form a separate part of the reasons for the mode of social organization. The relationships through which material reproduction occurs are god-given and thus normatively self-sufficient: 'In societies organized through kinship, the institutional system is anchored ritually, that is, in a practice that is interpreted by mythical narratives *and that stabilizes its normative validity all by itself*.'²⁶ Thus an objectively-grounded challenge to the functionality of the institutional system, even were such a thing to be conceivable, would represent a challenge to the norms of action on which that system is based and hence to the entire worldview; it would be a challenge to the gods themselves.

Pre-modern worldviews, then, are interpretations of the world that confuse or conflate the different aspects of validity in such a way as to deflect criticism arising from within a single validity sphere. To accept a mythical worldview is to accept it in its entirety and, indeed, to discount evidence that it is in some sense inadequate. This is not to say that worldviews are unassailable in the sense that they cannot change or decay or be replaced by differing beliefs about the world. Obviously they can. However, this kind of change clearly cannot be the outcome of direct criticism of a worldview itself. Habermas draws a comparison between worldviews and portraits:

A portrait is neither a mapping that can be exact or inexact, nor a rendering of facts in the sense of a proposition that can be true or false. A portrait offers rather an angle of vision from which the person represented appears in a certain way. Thus there can be numerous portraits of the same person; they can make the character appear in quite different aspects, and yet they can all be experienced as accurate, authentic or adequate. Similarly, worldviews lay down the framework in which we interpret everything that appears in the

²⁵ It is interesting to note, as Tarnas points out, that both Copernicus and Kepler were drawn to the heliocentric view on aesthetic-theological as well as empirical grounds. They both considered that God's plan was surely more 'ordered and harmonious' than that reflected in the cumbersome, complex and inaccurate system of mathematics required to explain the apparently eccentric movement of the planets under the geocentric system.

²⁶ Habermas 1987, p188; emphasis added.

world in a specific way as something. Worldviews can no more be true or false than portraits.²⁷

Where worldviews differ from portraits, however, is in the fact that they ‘*make possible* utterances that admit of truth’.²⁸ If we accept that the concept of truth only makes sense as a universal validity claim, i.e. that a true statement merits assent regardless of the language in which it is formulated, then we can compare and hence (indirectly) criticize worldviews from the standpoint of what Habermas calls their *cognitive adequacy*: ‘The adequacy of a linguistically articulated worldview is a function of the true statements that are possible in this language system.’²⁹ Hence, to return to our example, although theologically-supported geocentrism is unassailable from within or on its own terms, what is undeniable is that the assumption of a heliocentric universe means not only that astronomical charts and tables can be produced more easily, but also that they are more accurate. Given the economic importance of nautical navigation during the 16th century, there was a strong material incentive for the contents of the Christian worldview to change.

5.5(b) Religious-metaphysical worldviews and the mediatization of the lifeworld: ideology and false consciousness under conditions of partial differentiation of value spheres

For Habermas, worldviews are not necessarily global or totalizing in the sense that they can exist only where there is no differentiation between the three value spheres. Modernisation — the process by which nature and culture gradually become disentangled; by which the objective, social and subjective worlds separate out from each other — is a gradual process, and the move from the archaic totalizing worldview to wholly transparent modernity does not occur in a single step. We can therefore identify stages of development intermediate between tradition and developed modernity characterized by different degrees of partial differentiation of the spheres of validity and hence different types of worldview which are less and less extensive in their reach. Habermas calls the major intermediate type of society ‘civilization’ and suggests that it is characterized by the religious-metaphysical worldview.³⁰ He argues that one of the major features that distinguish civilizations from archaic or traditional societies is that social organization is no longer normatively self-sufficient.

²⁷ Habermas 1984, p58.

²⁸ *Ibid.*

²⁹ *Ibid.*, pp58-9.

³⁰ Habermas 1987, p191.

In societies organized around a state, a need for legitimation arises that, for structural reasons, could not yet exist in tribal societies... the authority of the laws in which a general political order is articulated has to be guaranteed, in the first instance, by the ruler's power of sanction. But political domination has socially integrating power only insofar as disposition over means of sanction does not rest on naked repression, but on the authority of an office anchored in turn in a legal order. For this reason, laws need to be intersubjectively recognized by citizens; they have to be legitimated as right and proper. This leaves culture with the task of supplying reasons why an existing political order deserves to be recognized. Whereas mythical narratives interpret and make comprehensible a ritual practice of which they themselves are part, religious and metaphysical worldviews of prophetic origin have the form of doctrines that can be worked up intellectually and that explain and justify an existing political order in terms of the world-order they explicate.³¹

So, while the political-institutional order can be clearly distinguished from (say) structures of theological authority, the legitimation of secular authority is nonetheless ultimately premised on the existence of a sacred world-order lying behind appearances. This world-order is codified and described in a religious-metaphysical worldview which is beyond rational criticism. What we have here could almost be described as the separation of policy and execution. The normative legitimacy of institutional structures is split into two aspects: on the one hand, there are the basic aims and values specified in the religious-metaphysical worldview which the institutional structures exist to pursue; and on the other, the efficacy of those structures with respect to this *raison d'être* given the particular physical and socio-cultural context.

Once an institutional logic of organization can be conceived separately from 'the structures of the prevailing worldview', however, it becomes possible that traditionally-sanctioned modes of social organization be seen as a barrier to the maximization of the efficacy of goal-oriented action. If institutional effectiveness is conceivable in isolation from issues of normative validity, the possibility of conflict between processes of functional and social integration arises. However, since the religious-metaphysical worldview which is the ultimate basis of social integration is beyond rational criticism, this conflict cannot be resolved in favour of functional integration without, sooner or later, there being some 'structural violence' inflicted on the lifeworld. To put it simply, if functional and social integration are in conflict but neither are to be disrupted, actors must not be aware that *what they are actually doing* — their actions

³¹*Ibid.*, p188.

themselves and the outcome of those actions — is not consistent with *why they are doing it* — the normative basis of their actions.

The conditions for the social integration of the lifeworld are defined by the validity basis of action-coordinating processes of reaching understanding in connection with the structures of the prevailing worldview; the conditions for the functional integration of society are set by the relations of a lifeworld objectified as a system to an environment only partially under control. [It may be the case that] a compromise between internal validity claims and external survival imperatives can be achieved only at the cost of institutionalising and internalising value orientations *not in keeping with the actual functions of the corresponding action orientations...*³²

The compromise between validity claims and survival imperatives holds only so long as the actual function of participants' action orientations remain latent:

Under circumstances such as these, the illusory character of the fulfilment of validity claims that carry a value consensus and make social integration possible must not be seen through. What is needed is a systematic restriction on communication, so that the illusion of satisfied validity claims can assume objective force.³³

So, the separation of institutional structuring from *direct* dependence on the normative validity structures of the lifeworld, and the consequent possibility that system and lifeworld can influence each other potentially leads to what Habermas calls the 'mediatization' of lifeworlds. This is the emergence of value and action orientations in which a traditional normative consensus is instrumentalized in support of system integration. They are a by-product of material reproduction; of the exigencies of the *functional* integration of society. Mediatization is what occurs when 'systemic constraints of material reproduction inconspicuously intervene in the forms of social integration'.³⁴

Taking the developed West as an example, we can say that 'external survival imperatives' demanded the expansion of material reproduction; a system in which 'resources c[ould] be more easily mobilized and more effectively combined.' This resulted in the uncoupling of social labour from kinship relations and its reorganization on the basis of a stratified class society. But,

³² Habermas 1987, p233; emphasis added.

³³ *Ibid.*, p233.

³⁴ Habermas 1987, p187.

[w]hat presents itself from a system perspective as an integration of society at the level of an expanded material reproduction, means, from the perspective of social integration, an increase in social inequality, wholesale economic exploitation, and the juridically cloaked repression of dependent classes... [to minimise the possibility of social integration breaking down,] the functions of exploitation and repression fulfilled by rulers and ruling classes in the systemic nexus of material reproduction have to be kept latent as far as possible. Worldviews have to become ideologically efficacious.³⁵

On Habermas' definition, ideology will exist where the mediatization of a lifeworld has given rise to the systematic restriction of communication. Communication is restricted when it is not possible to thematize certain issues against a particular lifeworld context; when certain reasons for action are in certain contexts *automatically* deemed invalid. As we have already seen, in the period between tradition and modernity, economic and political order depended on basic religious and metaphysical concepts that 'lay at a level of undifferentiated validity claims...[in which there was a] fusion of ontic, normative, and expressive elements'.³⁶ Any argument in opposition to the existing order which contradicted these basic religious and metaphysical concepts was likely at best to be dismissed and at worst condemned as representing the seditious undermining of public morality. Hence in England up until 1867, for example, for an employee to breach a contract of employment was a *criminal* offence (for an employer it was merely a civil offence). Employment relationships were governed by the legal doctrine of 'master and servant' in which the right of an employer to command a worker was conceived as a moral absolute, an aspect of a system of social stratification justifiable by reference to a divine order. It was simply not relevant to question the authority of a 'master' on the grounds, for example, that by accepting it, his 'servants' were damaging their physical and psychological well-being in order further to enrich an individual who already had more wealth than he could possibly use. The physical conditions of workers were seen as inseparable from the moral condition of their class and the harshness of employment regimes was usually justified with reference to the duty of a master to have a view to the moral tutelage of his servants — an argument often made, for example, was that reducing working hours was wrong because increased leisure time was likely to be spent in sinful pursuits. Habermas refers to Weber's sociology of religion on this point, arguing that he

³⁵ *Ibid.*, p187.

³⁶ *Ibid.*, p189.

‘showed how the world religions were dominated by a basic question, namely, the legitimacy of the unequal distribution of earthly goods among humankind.’³⁷

5.5(c) The modern worldview

On the basis of the way we have construed the concept so far, it ought to be the case that modernity is characterized precisely by the absence of a discernible worldview. The pre-modern world is characterized by cultural interpretive systems that become less and less extensive as societies move along the path to modernity:

The more the worldview which furnishes the cultural stock of knowledge is decentred, the less the need for understanding is covered *in advance* by an interpreted lifeworld immune from critique, and the more this need has to be met by the interpretive accomplishments of the participants themselves... [on the other hand], the more cultural traditions predecide which validity claims, when, where, for what, from whom, and to whom must be accepted, the less the participants themselves have the possibility of making explicit and examining the potential grounds on which their yes/no positions are based.³⁸

Habermas indeed argues that there is no worldview that ‘steers practice’ under conditions of developed modernity. In modern societies nothing is rationally impenetrable. The sacred domain has largely disintegrated and bourgeois culture has become secularised.³⁹ The absence of a worldview which in itself gives rise to action orientations implies the absence of ideology, which is to say that the modern systemic relationship meaning permits the *recognition* of the fact that there are no criticizable validity claims underpinning the action orientations on which functional integration depends. There is no illusion of validity, and hence no ideology, because functional integration is a process entirely independent of social integration. Traditional, inherited normative consensuses lose their action-orienting force and can no longer be instrumentalized via the mediatization of lifeworlds. Rather, systemic mechanisms simply suppress forms of social integration: the lifeworld is colonized.

³⁷ Habermas 1987, p188.

³⁸ Habermas 1984, pp70-71; emphasis in original.

³⁹ See Habermas 1987, figure 28 p192; *Ibid.*, p196.

(i) *Strategic action and interpretative commitment*

Habermas is not at all clear on the issue of what the colonization of lifeworlds implies at the level of meaning, but this is surely a crucially important issue here. If the usual forms of social integration are suppressed even outside systemic contexts, i.e. where a ‘consensus-dependent co-ordination of action cannot be replaced’,⁴⁰ then within economic and political-administrative structures there can be no doubt that the outcome of social interactions depends purely on strategic considerations. On Habermas’ logic we are bound to conclude that social life in these contexts is now definitively meaningless. As we saw above, this is certainly one possibility. Participants in action *can* interpret observed patterns of social behaviour as representing nothing more than the aggregate result of strategic conformity with rules. Where this interpretation is made, the only rational course of action for the individual is also to adopt a strategic attitude. However, we also argued that actors can adopt other interpretations of the observed patterns of social behaviour, which while they are coherent with the existence of autonomous social systems also assume that these systems emerge from a substantive, post-traditional normative or ethical order. We argued not only that exchange relationships *can* be interpreted as fair, and that bureaucratic authority relationships *can* be interpreted as an effective means of goal-achievement, but that which interpretation is made is very likely to have an effect on the outcomes of social interaction and hence on the functional characteristics of systems themselves.

Habermas’ objection to this argument would presumably be that when participants adopt a strategic attitude, their interpretation of the action situation involves a lesser interpretative commitment than that made by actors who adopt a communicative attitude. In other words, the strategic attitude is the position to which actors inevitably ‘default’ on the basis of the lack of logical support for rational motivation which defines media-steered contexts. But we would respond that the adoption of the strategic attitude *in practice* involves an interpretative commitment which is as rationally unsustainable as that involved in acting communicatively. Consider the following points about the exchange relationship:

- a. There is a cultural standard with respect to the fair distribution of goods that actors would accept as valid in informal action contexts;
- b. in practice, each party to the exchange knows rather more about the material situation of other market actors than the minimum necessary to conduct a strategic negotiation as we defined it above;

⁴⁰ Habermas 1987, p196.

- c. this information is in most cases enough to be able to make an assessment of the fairness of the existing distribution of goods as between the parties;
- d. where it is apparent that this distribution is *not* fair, then if the actor nevertheless acts strategically in the sense of pressing home any bargaining advantage s/he makes a normative choice which requires the support of good reasons;⁴¹
- e. those reasons must of necessity involve some global interpretation of the economic system *as it is* as the best available way to ensure the fair distribution of commodities in the context of the preservation of other liberties, the innovating power of capitalism etc. While actors may recognise that the situation is not as they would ideally wish it to be, they recognise that the changes required to mitigate the unfair distribution of the costs of the economic system are such as to threaten the advantages that it brings.

Cut down to its essentials, the argument in point (e) is simply that the distribution of goods cannot be improved without damage to the economic system. Surely this is at least as profound an interpretative commitment as that of the communicative actor, who believes that system functioning will *not* be damaged by non-strategic action? More to the point, the two positions are logically equivalent in the sense that neither can be guaranteed before the outcomes of action are known. They both involve the circularity which makes the choice of attitude dependent on knowing the outcome of that choice. In short, it appears not only that actors in systemic contexts can adopt a communicative attitude, but that in so doing they are making no more of an interpretative commitment than those actors whose attitude is strategic. In either case, participants have to interpret the nature of social systems *in advance* of action, on the basis of an external observation of system inputs and outcomes.

(ii) *The sacred system?*

This leaves us in some difficulty, as it suggests that in developed modern societies, no-one will be anything other than hopelessly confused about what to do. However, if we bring to bear the idea of a worldview in the sense of a pre-interpretation of a lifeworld in which the normative and the objective are in some sense fused, then we can suggest that even under conditions of developed modernity it is possible for normative claims whose validity is in the final analysis not criticizable to carry a binding force comparable to that arising from the recognition of validity claims which are.

⁴¹ We are assuming here that market actors are in most cases not cynically strategic in the sense of recognizing the validity of normative standards but nonetheless ignoring them in order better to pursue their individual interests.

Habermas does not appear to consider the possibility of worldviews in which restrictions on communication are due to something *other* than the existence of rationally-impenetrable sacred doctrines underpinning the legitimation of social and legal authority. However, there seems to be no reason why partially fused cultural spheres of validity have to be manifest in this way. Part of the problem, perhaps, is simply the difficulty of conceiving something which is simultaneously non-sacred or non-mythical, and rationally impenetrable. What we want to suggest, however, is that the system itself, and more particularly the market economy and the capitalist enterprise, can be understood in this way. The defining characteristic of pre-modern worldviews is that at some point validity is confused or confounded with empirical efficacy, and internal relations of meaning with external relations between objects. Our discussion of social interaction in systemic contexts shows that *this is precisely what occurs in market exchange and private authority relationships*.

Exchange: social relationships and the characteristics of commodities

We saw above that where a market for a commodity exists, it is only by reference to the market price that a fair exchange value can be defined. We saw that this is also the case where substantive norms are assumed to be absent: participants are unable to assess the strategic optimality of an exchange value except by reference to the standard of the market. So, regardless of whether we say that the exchange value agreed upon in some exchange is fair in a substantive sense, or whether we say merely that it is acceptable to both parties in the light of their strategic objectives, what we are saying is that the exchange value settled upon is coherent with the current market value of the commodity. The term ‘coherence’ is important here. It is not the case that a fair or optimal exchange value is *equal* to the market value. Rather, as we argued above, it is a value that stands in a rational relation to the market value after having taken into account the material circumstances of the participants and the characteristics of the actual goods exchanged. Since each agreed exchange value affects the market value, we can say that the market value expresses or encodes both the material circumstances of market actors and the physical characteristics of commodities. The economic system, then, is truly a mirror of society. More than simply a system of relationships between things, it is a system of relationships between people in the sense of expressing relative material well-being in terms of the possibilities for the satisfaction both of universal basic needs and individual wants and desires.

It is this inextricable intertwining of the material and the social that means that interpretations of the economic system are at root uncriticizable. The argument that the economy is based on strategic rational action and expresses nothing more than the scarcity and substitutability of commodities together with the individual preferences of actors could be

objected to on the grounds that since fair exchange is possible — some would argue even plausible — and the outcomes of the economic system are reasonably just, then that system must itself be the result of normatively valid interactions. To the counterargument that the outcomes of the system are *not* just could be opposed the view that the preferences of individuals and the physical nature of commodities represent fixed inputs which restrict the possibilities for action within the system and that the outcomes are thus as just as it is possible for them to be. It should be clear that this argument cannot be resolved. It could be carried on *ad infinitum*, even in the absence of any dispute about the historical/empirical evidence on which these conflicting opinions are based, or indeed about the basic processes through which individual social interactions give rise to autonomous social systems.

Authority: normative order and effective social action

In the case of a private authority relationship, the resolution of interactions depends on the participants' understanding of the *de facto* validity of a normative order, which may be more or less closely related to the formal, written rules of the organization. As in the case of market relationships, it makes no difference whether this externally-observed order is conceived of as substantively based or merely as an empirical fact. On the one hand, the *de facto* valid normative order indicates the functional characteristics of the organizational system. An assessment of the potential effectiveness of compliance with an instruction as a contribution to the realisation of collective goals obviously cannot be made without an understanding of these characteristics. On the other hand, a strategic assessment of the likelihood that subordinates will obey a particular order — or, from the perspective of the subordinate, what risk of expulsion from membership is carried by resisting that order — cannot be made without an appreciation of the established patterns of validity within the organization.

Hence both the strategic and the rational organization actor have to have recourse to considerations of *normative* validity in order to determine the *empirical* effectiveness of certain courses of action as a contribution to the realisation of their respectively individual and collective goals.

5.6 SYSTEMIC WORLDVIEWS: SYSTEMIC RELATIONSHIP MEANINGS, STRUCTURAL MODELS AND LIFEWORLD REPRODUCTION

Modernity, then, is characterized by the existence of what we can call *systemic worldviews*. These are interpretations of social systems in which the functional characteristics of those systems and the normative status of the relationships of which they are composed are fused together into an action-orienting outlook. The validity of certain objective and normative claims is pre-decided,

and hence the circularity we identified above is resolved. While systemic worldviews, like pre-modern worldviews, are in themselves not susceptible to criticism, they ‘make possible utterances that admit of truth’, both predicting the outcomes of action and according those outcomes a normative status, whether this is positive or negative. The mechanism by which system and lifeworld are related is the comparison of actual outcomes with those predicted, which entails the possibility of the revision of worldviews.

It should hopefully now be clear that systemic worldviews simultaneously represent (normative) interpretations of social relationships and (objective or empirical) conceptualizations of the functional characteristics of social structures. Participants in action need to know how to negotiate the social interactions which are the fundamental components of the system. The primary variable that determines the attitude — strategic or communicative — with which this negotiation is conducted is the actor’s belief about whether the system’s promise of the fair distribution of goods or the effective realisation of collective goals is realized in practice. We can call this belief, rather clumsily, a *systemic relationship meaning*. Action in systemic contexts also requires participants to have a grasp of the functional characteristics of the system; to possess what we can call a *structural model* that relates inputs (in terms of action) with outputs at the level of the system.

Systemic relationship meanings and structural models are in fact merely two aspects of the same phenomenon. From the internal perspective of socially acting individuals, a systemic relationship meaning acts as a rule or formula which at least partially pre-determines of the outcome of an interaction. From the external perspective of the observer of social interactions, the aggregate effect of this rule-following is manifest as the system itself, the structure of which can be modelled in order to predict the outcome of an action or actions. *Hence the meaning of social relationships in systemic contexts is what determines the nature of the system itself.* As we will see, however, the observed characteristics of systems in turn affect the meaning of the social relationships carried on within them.

5.6(a) The four types of systemic worldview

If the distribution of commodities in a market economy is generally considered to be fair, then by reverse inference it can be argued that market prices must also be fair and that the conditions of access to the market, availability of information etc. are being met. Likewise, if the instructions of office-holders issued in conformity with administrative structures are seen to represent effective means of goal-achievement, then it likely also to be accepted that the managerial interpretation of the formal specification of effectiveness institutionalized in the legal system is in fact accurate. The reverse, of course, is also true. A distribution of commodities which is considered to be

unfair implies that market prices do not reflect the interests of all participants, and bureaucratic machinery for goal-achievement which is deemed ineffective implies that the legal specification of effectiveness is inadequate and/or that office-holders are incompetent or ill-intentioned.

We can therefore identify four basic types of worldview, two corresponding to each steering medium. Corresponding to the money medium we have, on the one hand, a worldview based on the assumption that market prices represent or embody fairness, a general interest.⁴² There are two components to this assumption. First, the basic general principle of distribution via exchange on the basis of utility is accepted as legitimate, i.e. it is accepted that it is in theory possible for market forces to lead to fair outcomes. Second, the empirical conditions for the correct functioning of the market, or at least a functionally sufficient approximation of them, are held to obtain. On the other hand, it can be and commonly is assumed that market forces embody not the general interest, but the interest of a limited group within society. This can be because of a rejection of the principle of exchange — the very possibility that distribution via exchange could lead to fair outcomes — or, perhaps more commonly, because the empirical conditions for the correct functioning of the market are held not to obtain. With respect to this latter point, it is of little consequence whether markets are thought to be deliberately manipulated, or whether instead it is considered to be simply impossible to get close enough to the conditions for perfect competition for market prices to be fair. Either way, market prices take fuller account of the circumstances of some participants than others and hence are unfair.

Corresponding to the power medium we have two similarly opposed types of worldview. On the one hand, it is possible to treat instructions from holders of authority as *de facto* normatively authorized, and hence once again as compatible with the general interest. Both the general principle that the optimal mode of organizing goal-achievement is via structures of technical-bureaucratic authority, and the general *de facto* effectiveness of legally-binding instructions is accepted. On the other, either the principle of bureaucratic organization, or the effectiveness of binding instructions (or both) can be rejected. In this case, instructions from superiors are seen as normatively unauthorized, which, given the availability of sanctions, makes them no more than threats; manifestations of the egoistic will of the authority holder or of the partial interest of some social group of which s/he, and not the subordinate party, is a member.

⁴² A variant of this, perhaps more common in practice, is the assumption that market prices and the imperatives for action which are derived from them are value-free in the same way that the objective physical characteristics of the world are value-free. The maximum advantage for society is to be found by responding appropriately to this objective exigency. Hence even if market prices are not themselves thought of as embodying valid norms, there is exactly the same sense in which they are categorical: to comply with them is in the general interest.

5.6(b) Are systemic worldviews ideological?

Habermas is in no doubt that the mediatization of lifeworlds characteristic of early modern societies was sustained by ideologically effective worldviews in which the legitimacy of economic and political power were justified ‘against all appearances of barbaric injustice’.⁴³ However, neither is he in any doubt that the historical phase of ideologies is over. Discussing the nature of ideological worldviews, he argues that

It is just this form of a global interpretation of the whole, drawn up from the perspective of the lifeworld and capable of integration, that had to break down in the communication structures of a developed modernity. When the auratic traces of the sacred have been lost and the products of a synthetic, world-picturing power of imagination have vanished, the form of understanding, now fully differentiated in its validity basis, becomes so transparent that the communicative practice of everyday life no longer affords any niches for the structural violence of ideologies. The imperatives of autonomous subsystems then have to exert their influence on socially integrated domains of action from the outside and *in a discernible fashion*. They can no longer hide behind the rationality differential between sacred and profane realms of action and reach inconspicuously through action orientations so as to draw the lifeworld into intuitively inaccessible, functional interconnections.⁴⁴

It seems fairly clear that Habermas would argue that systemic worldviews as we have defined them here are ideological on the grounds that they give rise to systematic restrictions on communication. Nonetheless, it would be difficult to argue *a priori* that the adoption of a particular systemic worldview necessarily means that the lifeworld of participants in action is characterized by ‘objectively false consciousness’. Even if it could be shown that participants are unaware of the functional consequences of certain value/action orientations — and in our view this is surely an empirical issue — it still may not be the case that these consequences are incoherent with the action orientations which are their cause.

What we are suggesting is that systemic restrictions on communication can exist even where it is *not* the case that a “compromise between internal validity claims and external survival imperatives can be achieved only at the cost of institutionalising and internalising value orientations not in keeping with the actual functions of the corresponding action orientations”.⁴⁵

⁴³ Habermas 1987, p189.

⁴⁴ *Ibid.*, p354.

⁴⁵ Habermas 1987, p233..

Obviously, this is not to say that the situation cannot be as Habermas suggests. Rather, whether or not a systemic worldview is ideological in the sense of involving a deception is once again an empirical question — theoretically unsatisfying though this position may be. The transparency of the systemic relationship meanings characteristic of modernity does not lie in the fact that there is *no* totalizing worldview behind them, but rather in the awareness of participants that worldviews different to the one adopted are available. The influence of the system on the lifeworld is indeed discernible, but participants in action are in principle able to make a judgment as to whether this is or is not a good thing.

We certainly need not find ourselves at odds with Habermas' definition of a worldview in arguing this line. When he first introduces the concept it is in the context of a disagreement with Winch over whether it makes any sense to compare or 'rate' one worldview in comparison with another. As we mentioned above, Habermas argues that although worldviews are neither true nor false in themselves, they nonetheless '*make possible* utterances that admit of truth'. He goes on,

Owing to their reference to totality, worldviews are indeed removed from the dimension in which a judgment of them according to criteria of truth makes sense... But this does not mean that the idea of truth might itself be understood in a particularistic way. Whatever language system we choose, we always start intuitively from the presupposition that truth is a universal validity claim. If a statement is true, it merits universal assent, no matter in which language it is formulated. Thus it can be ...[argued]... that worldviews can be compared with one another not only from the quasiaesthetic and truth-indifferent standpoints of coherence, depth, economy, completeness, and the like, but also from the standpoint of *cognitive adequacy*. The adequacy of a linguistically articulated worldview is a function of the true statements that are possible in this language system.⁴⁶

On this reading, worldviews are potentially not entirely 'immune' to dissonant experiences. For all that worldviews influence the interpretation of historical evidence about social behaviour, being repeatedly faced with statistical or other evidence which is incoherent with a worldview will tend to lead to its replacement with another.

5.6(c) The characteristics of systemic worldviews

Systemic worldviews are a crucial part of the lifeworld context of participants in co-ordinated action in systemic contexts. Indeed we can say that they are the defining characteristic of

⁴⁶ Habermas 1984, pp58-9; emphasis in original.

systemic action contexts since it is only in these contexts that the systemic relationship meanings deriving from such worldviews are needed to complete the logical chain leading from interest (either individual or general) to action.

We need to be clear about three characteristics of systemic worldviews. First, while the logic of formal pragmatics is binary or deterministic — a claim is either valid or it is not — the logic of statistical association is probabilistic. This opens the possibility that there can be degrees of certainty or uncertainty about systemic worldviews. This in turn implies that the distinction we have drawn between formal and substantive types of worldview should be regarded as referring to the two extremes of a continuum rather than to a binary opposition.

Second, systemic worldviews condition the interpretation of the historical evidence which forms the subject matter of social learning processes. Those who assume that the market has an inherent tendency to produce fair outcomes will treat empirical evidence about the distribution of commodities very differently to those who assume that the tendency is the opposite.

Third, as we have just seen, systemic worldviews are insusceptible in themselves to judgments of truth or falsity. We should regard them, then, as the outcome of social learning processes that can only ever reach a provisional conclusion. Before we can discuss these learning processes — which we could call the production and reproduction of systemic worldviews — we need to give some further brief consideration both to the structure of communication in systemic contexts and to the role of structural models of systemic functioning in such communication.

5.6(d) Systemic relationship meanings, rationality and the behaviour of actors

As we have seen, it is possible to approach social action in systemic contexts with either a strategic or a communicative attitude. The meaning of a systemic relationship to an actor is crucial in the determination of which mode is adopted as it directly affects the interpretation of offers and instructions, i.e. the validity claims a hearer understands a speaker to be raising, and hence the way in which speaker and hearer understand their relationship. On an aggregate level, they affect the outcome of actions and thus the functional characteristics of systems.

A layer of complexity is added, however, by the fact that the speech acts of speakers are open to interpretation in a way they are not in informal social contexts. Hearers need to take a view on whether speakers *share their worldview*, and hence to decide the likelihood that both participants understand their relationship in the same way, i.e. are operating with the same systemic relationship meaning. In systemic contexts, then, speakers can both *intend* to raise and (separately) be *understood by hearers* to be raising claims using one of two different ‘registers’ that correspond to a formal or substantive meaning of the relationship between speaker and hearer. If a claim is taken to be merely formal it is understood that the appropriate response is

strategic: a flat ‘yes’ or ‘no’ depending solely on the success of the speaker’s claim about profitability or sovereignty. The speaker is understood to be attempting to motivate the hearer by premising the case for compliance on the empirical consequences for the strictly individual interest of the hearer. If on the other hand a claim is taken to be substantive, the appropriate response is communicative: a ‘yes’ driven by rational normative commitment, or a ‘no’ accompanied by queries or reasons which emerge from *the same* normative commitment to distributive fairness or the realization of collective goals. In this case the speaker is taken to be arguing the case for compliance on the basis of its contribution to the pursuit of some legitimizable collective or general interest.

The great potential advantage to a speaker of raising claims about the inherent legitimacy of social systems, as we argued in section 3.1(e), is that where these claims succeed, the quality of the hearer’s compliance is altogether better than where claims do not go beyond the nominal. On the other hand, the scope for disagreement is considerably widened by the addition of these extra claims. The risk appears even greater if one recalls Habermas’ crucial point that in systemic contexts there is no need to raise claims in what we have called the substantive register. Even if substantive claims fail, the formal claims may well still be valid. Thus the incentive to engage in processes of consensus formation in language in order to resolve any disagreement is that much less powerful since the speaker will usually have the option of resorting to purely empirical motivation. That it is guaranteed to be impossible to reach a logically secure consensus obviously exacerbates the situation.

One final element of complexity is added by the fact that the same nominal claim can be made and interpreted in both ways; in the very real possibility that a speaker’s intended register is mistaken by a hearer, and in the further possibility that a speaker may make a strategic attempt to have his or her hearer mistake the register in which the claim is made (i.e. to believe that a merely formal claim is substantive) in order to take advantage of the better quality of compliance that arises where substantive claims are redeemable.

5.6(e) Structural models and action in systemic contexts

So, systemic worldviews imply a range of meanings of social relationships in formally organized contexts that serve either to partially determine the appropriate response to an offer of communication (from the internal or action perspective) or to enable the prediction of the outcome of an interaction (from the external or system perspective). The use of probabilistic or inductive generalizations about the individual values, preferences and attitudes of others is required in order to bridge the logical gap between action and interest characteristic of systemic action contexts. Actors are obviously aware of their own interests, but have no choice but to make

assumptions about the interests of others which, while grounded on historical evidence relating to actual behaviour, are ultimately impossible to prove or disprove.

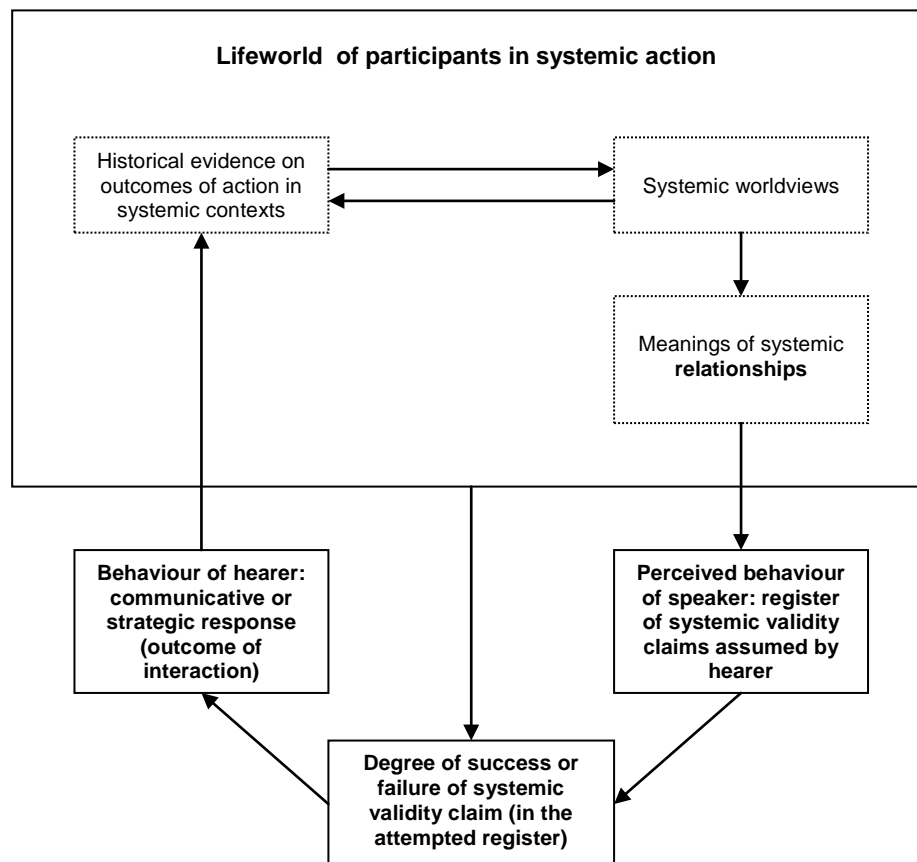
In the context of formal rule systems, these assumptions imply certain responses to offers of communication on the part of participants in action. Structural models specify the functional characteristics of the action systems which are in turn implied by the aggregation of these interaction outcomes. These characteristics and the meaning of social relationships carried on in systemic contexts are mutually dependent. The meaning of a social relationship is indistinguishable from the means by which interactions within it are resolved. Thus if the meanings of systemic social relationships change, then so do the functional characteristics of systems and hence the structural models which participants in action use will be called into question and will need to be revised.

5.6(f) The production and reproduction of systemic lifeworlds

On the basis of our discussion up to now, we want to argue that systemic worldviews, the behaviour of actors and the historical evidence on the outcomes of action are connected by multiple feedback processes, as illustrated in figure 5.1. The diagram, drawn from the perspective of the hearer considering a proposed interaction, shows how systemic worldviews both influence and are influenced by the outcomes of social interaction in systemic contexts. The lifeworlds of hearers contain both knowledge about the outcomes of action in the past — derived both from the direct experience of actors and from other sources of cultural knowledge such as family, education and the media — and systemic worldviews premised on this knowledge. The systemic relationship meanings derived from these worldviews determine in the first instance the register in which communication is understood. Depending on the systemic relationship meaning of the relationship adopted by a hearer, the communicative intent of a speaker will be interpreted and the register of the speech act located somewhere on the continuum from substantive to formal.

In the light of this presumed intention, the redeemability of the validity claims raised is assessed and appropriate action will follow: either a strategic or a communicative response. Once complete, each interaction, and any consequences believed to be connected to it, become part of the evidence on which systemic worldviews are premised, serving either to confirm or to put in question the existing assumptions of participants. In the next chapter we will discuss and illustrate this process in more detail with reference to action within employing organizations.

Figure 5.1: the production and reproduction of systemic lifeworlds



5.7 CONCLUSIONS: THE INTERDEPENDENCE OF SYSTEM AND LIFEWORLD

What we hope to have shown in this chapter is that system and lifeworld are not, as Habermas would have it, effectively independent. The ‘lifeworld anchoring’ of the system is much more than a question of being able to relate the origins of the law of property and contract and the legal foundations of public administration to some discursive (parliamentary) process that has the function of identifying a general interest and translating it into binding regulations. Rather, lifeworld and system are inextricably bound up with each other. Although uncoupled in the sense that in modern societies informal and formally organized contexts of action are distinguishable,

they are nonetheless closely entwined and mutually dependent. Without the structural models of systemic functioning which derive from systemic worldviews, without at least some minimal understanding of how economic and administrative systems function, modern societies and the social relationships carried on within them would be wholly incomprehensible. Moreover, for a wide range of social purposes, the constraints placed on action by systemic regulation are not *experienced* as constraints, as something external or non-natural. They are simply the way things are, accepted by everyone and to that extent perfectly legitimate, even if always open to question.

More important is the *ongoing* dependence of system on the lifeworld. Perhaps the most important insight of the Weberian social sciences is that the outcome of action in systemic contexts is not a foregone conclusion. Rather, it is contingent on all the actors involved — and let us not forget there may be many millions of them — behaving more or less coherently, which is to say all basing their behaviour in systemic contexts on more or less the same set of assumptions about the system inputs (in terms of behaviour) which are related to certain system outcomes (the consequences of that behaviour). These assumptions, which form part of the lifeworlds of actors, can and do change depending on what those outcomes actually turn out to be and on how that historical evidence is interpreted. Thus there is a dynamic and reflexive relationship between structure and action.

There are a number of important implications, both theoretical and methodological, of our recasting of the relationship between system and lifeworld. The first theoretical implication is that there is no difference in principle between the models of systemic functioning which are the result of the ‘counterintuitive knowledge of the social sciences developing since the eighteenth century’ and the models used by social actors in their everyday lives. Other than the degree of precision and rigour, the only difference between a social scientific and lay use of structural models is that while social scientists for the most part adopt an *entirely* external viewpoint, social actors retain a perspective on action which is always at least partially internal.

The second theoretical implication is that the characteristics of social systems are not constant. The ‘laws’ of economics and the various other empirical social sciences that are based on the probabilistic evidence of statistical association are, although in many cases very stable over both space and time, ultimately *mutable*. This is not simply a consequence of the advance of knowledge; of, for example, the increasing sophistication of quantitative research techniques. Rather, it is because the meanings of the social relationships in which participants in action in systemic contexts find themselves are not constant. Systemic worldviews are the outcome of social learning processes and are not a foregone conclusion.

The third theoretical implication is that the more closely communication in systemic contexts approaches what we have called the substantive register, the less predictable systems

become (and vice versa). This is straightforwardly implied by the greater range of opportunities for rejection of a systemic validity claim made in the substantive register. If, for whatever reason, it cannot be assured that the outcome of social interactions will be determined by the relevant steering mechanism, the accuracy of structural models of society will be limited

The final theoretical implication is that, contrary to what appears to be Habermas' view, the imperatives arising from the market economy or from the political-administrative system are not unequivocal. Rather they are subject to interpretation and this interpretation will be conditioned by the systemic worldview adopted by whoever is doing the interpreting. Social interactions in systemic contexts are only ever partially steered since the historical evidence about the outcomes of action does not speak for itself. This is not to say that there are not certain imperatives that are historically well-established and to that extent uncontroversial. The market, for example, sets an effective ceiling on the price that can be demanded for certain goods. Claims that this ceiling exists and that for a certain type of good is set at such-and-such a level will in many cases be accepted without serious question. However, it remains the case that from a social action perspective claims about the functional and normative characteristics of social systems are ultimately undecidable. Those that are less well-established as cultural knowledge may meet with serious resistance, but the important point is that this resistance may not arise from the rejection of the implied normative status of the system as a whole. Rather, the system may be accepted in its fundamentals, but the interpretation of a particular 'steering imperative' may be questioned.

The central methodological implication of this chapter is that there are two complementary means by which to approach the analysis of systemic worldviews, which is to say the categorization of groups of social actors according to the nature of their worldview. The first and ultimately more fundamental of these research approaches focuses on 'meaningful artefacts', by which we mean textual evidence allowing the inference of the meanings with which participants in social action are operating. Given that meanings are elements of the lifeworlds of members of enterprises, the range of materials that may be of relevance is vast, running from literature and drama to policy papers to the transcripts of interviews. We suggest that this approach is the more fundamental — and here we are clearly fully in agreement with Habermas — because the cultural knowledge which forms the background to communication within enterprises and which is reflected in these kinds of materials is wholly inescapable. Without such hermeneutic insight there is no way that anyone could 'get at the structural patterns of action systems' and hence the second research approach, that based on the inductive-probabilistic (I-P) model would be unavailable.⁴⁷ There would quite simply be no basis on which to form

⁴⁷ Ackroyd & Fleetwood 2000, p23 note 1.

hypotheses about the functional characteristics of social systems. Given that we do have such a basis, however, the results of quantitative research can tell us two things. The first relates to the nature of steering processes, i.e. the relative strength of internal or power-related factors and external or money-related factors. This is a question of the kind of hypotheses that prove to be sustainable. The second is the importance of steering processes; in Mouzelis' words, "the substantive empirical issue of how important steering and non-steering mechanisms of co-ordination are in each institutional sphere".⁴⁸ The strength of the correlation between action and hypothesized outcome is evidence for the relative importance of formal rule systems and consensus formation in language in the resolution of interactions. Finally, we should note that, with appropriate circularity, the results of research in the I-P tradition will itself affect the policy positions adopted by governments, political parties and other organizations with respect to the functional characteristics of systems.

⁴⁸ Mouzelis 1997, pp115-6.

Chapter 6 Towards a new theory of the employment relationship

In the previous chapter we considered those situations in which *only* the money medium or the power medium were implicated in the determination of the outcomes of action. This involved in particular the conceptually important but empirically unrealistic abstraction of private organization membership from any economic context. It will have been obvious to the reader, however, that by far the most common form of private organization membership is employment. What we will argue in this chapter is that social interaction within the context of the employment relationship is simultaneously steered by the money and power media. We will identify four different systemic worldviews that imply four structural models of the private sector enterprise within the capitalist economic system, and four corresponding meanings of the employment relationship.

6.1 THE EMPLOYMENT RELATIONSHIP IN THE *THEORY OF COMMUNICATIVE ACTION*

Because of the inseparability of the normative and objective elements of participants' situations, it is uniquely characteristic of action in systemic contexts that the internal perspective of the actor and the external perspective of the observer must be adopted simultaneously. It is the systemic worldview, which includes both structural models of the system and meanings of the relationships from which that system is constructed, that represents the nexus between system and lifeworld. Connecting this point with Habermas' own discussion of the relationship between system and lifeworld, we want to suggest that we can equate systemic relationship meanings as we defined them in the previous chapter with the social roles which he argues will, from the perspective of the lifeworld, 'crystallize' around the 'interchange relations' between the economic and political-administrative systems and the lifeworld. There are four such roles: employee, client of the state, consumer and citizen. Employee and consumer are the 'economic' roles, while client of the state and citizen are the 'political' roles. In what follows we will devote our attention exclusively to the economic roles.

6.1(a) Employment, consumption and colonization

Before we move on to the main part of the argument in this chapter, we need to give some brief consideration to the implications of the foregoing discussion for the concept of social roles. Habermas draws a distinction between the roles of employee and consumer which cannot be sustained on the basis of the arguments put forward in the previous chapter. He argues that whereas the role of employee is *dependent* on the organization, that of consumer, although defined *with reference to* the economic system, is not dependent on it. Actors who assume the

role of employee have “detach[ed] themselves from lifeworld contexts and adapt[ed] themselves to formally organized domains of action”.¹ They have left their private way of life behind. The role of consumer, on the other hand, refers to “prior self-formative processes in which preferences, value orientations, attitudes, and so forth have taken shape”.² However, we have argued that in private organizational contexts, the pre-existing preferences of individuals shape their behaviour in a way precisely analogous to the influence of the utility preferences of consumers on the determination of the outcome of exchange interactions. This argument has two main implications. First, it is not straightforwardly the case that legally valid instructions will meet with compliance, even where actors have assumed the role of employee. Rather, it depends on the particular interpretation or understanding of that role adopted by each actor on the basis of the lifeworld context. This understanding will reflect ‘prior self-formative processes’ similar to those that Habermas argues are of relevance to the role of consumer. Second, since the attitudes, values and preferences of employees are always implicated in the functioning of organizational systems, we cannot accept Habermas’ argument that the monetarization and bureaucratization of innerorganizational relationships are subject to ‘boundaries of normality’ beyond which (and only beyond which) these processes have sociopathological consequences. We must therefore also question the possibility that organization members can have action orientations characterized by the fact that ‘all their actions fall under... the premises of a legally regulated domain of action’.³ As we saw above, employees do not necessarily simply adapt themselves to organizational rule systems, instead becoming involved in a *negotiation* over the scope of sovereignty of office-holders as a consequence of which the outcomes of action reflect the individual and collective preferences of employees as well as the formal normative order of the organization. Hence action within organizations is itself a self-formative process, the results of which will be reflected in the identities of individual organization members and translated into cultural knowledge. To this extent, system imperatives will have an effect — and not just a constraining or limiting effect — on the symbolic reproduction of the lifeworld. Exactly how employees will conceive their role, however, and whether these meanings objectively involve self-deception or more profound pathologies, are surely empirical questions.

¹ Habermas 1987, p321.

² *Ibid.*

³ *Ibid.*, p310.

6.1(b) Employment as a dual-media-steered relationship

With this clarification of the variable nature of the social role of employee in hand, we can proceed to consider Habermas' treatment of the employment relationship in a broader sense.

In Figure 39 in the *Theory of Communicative Action*,⁴ it is suggested that the employment relationship involves both the money and power media. The systemic output factor of wages involves the money medium, while the input factor of labour involves the power medium. Taking an action perspective, however, it is difficult to see how these factors can remain even conceptually separate.

We suggested above that participants in action in organizational contexts do not in fact detach themselves from lifeworld contexts, and that their action orientations cannot be straightforwardly characterized in terms of a generalized willingness to obey legal instructions. For this reason, in any private organizational setting we will need to consider what members consider their individual interest in membership to be. Where membership is characterized by members making some organization-specific contribution and being compensated for it in the form of wages or salaries,⁵ at least part of that interest will be money (indeed it may be the member's *only* interest in membership). We can say that it is part of the normative order of the organization that members are financially compensated for their contribution. In terms of reciprocal obligation, an individual member owes compliance with the instructions of office-holders to all the other members of the organization, and they owe him or her a wage or salary. The crucial point that Habermas does not take into account — largely because he does not give proper consideration to the non-generalizable status of the goals of the private organization — is that, just as is the case with the reciprocal obligations of the exchange relationship, these obligations must be in some kind of mutually profitable balance. Since employee and organization commit themselves to a relationship extending over a period of time rather than just for the momentary duration of an exchange, the normative order of the private employing organization will necessarily include the notion of maintaining a particular *equivalence* between employee contribution and reward which at least maintains the same average profitability for both parties for the length of the contract of membership. We can make this claim on the grounds that neither employee nor organization could rationally agree to a contract of membership whose profitability is wholly unforeseeable. Thus whether an employee complies with an instruction depends not just on its effectiveness in the sense of a contribution to the realization of certain outcomes at the level of the organization, but on the maintenance of the agreed equivalence

⁴ Habermas 1987, p320.

⁵ *Ibid.*, p321.

between contribution and reward, i.e. on the realization of certain outcomes at the level of the *employee*. We conclude, therefore, that the outcome of interactions within the employment relationship thereby depends on both power (collective goals) and money (individual goals).

6.2 SYSTEMIC WORLDVIEWS AND THE EMPLOYMENT RELATIONSHIP

The employment contract is a perfect example of a systemic relationship in the sense that it is formally incomplete, as we saw in Chapter 1 (see above section 1.4(b)). In fact, although Baldamus argues that it is incomplete only with respect to the obligations of the employee, *neither* side of the bargain is in fact precisely specified. Employees can and in many cases do benefit from organization membership in more than simply financial terms. The point remains, however, that these benefits are largely intangible and are ultimately susceptible to assessment or quantification only by the employee, just as the experience of the costs of compliance with instructions is in the final analysis an individual one.

Despite this incompleteness, we can still see in the employment contract the attempt to specify both the work—wage equivalence and a definition of effectiveness relating to a particular employee's role in goal achievement. If we were to describe the minimum required characteristics of a contract of employment, these would clearly include a description of the type of work, of the hours of work, and of the wage or salary to be paid. There is an obvious sense, then, in which the employment relationship assumes a broad quantitative equivalence between labour in an abstract sense and money. The concept of a legal minimum wage, for example, suggests that at a basic level, this equivalence can be stated simply in terms of the minimum permissible exchange value of one hour of labour, whatever that labour involves. Nonetheless, in the majority of cases, the *type* of work which is to be undertaken is of central importance in the definition of its value. A particular level of compensation can generally only be agreed with reference to a definition of what the employee's qualitative obligations are to be. If these obligations change, then this may invalidate the previously agreed level of compensation. At the same time, the contractual definition of work arguably also represents a minimal formal specification of effectiveness, defining the basic circumstances in which a manager is sovereign and is able to take binding decisions. For example, an employee taken on as a professional accountant but set to work cleaning windows would almost certainly be within his or her rights to refuse to comply on the grounds that it would be so implausible to claim that cleaning was an effective use of his or her abilities that the manager who issued the instruction can be assumed to have been acting from some ulterior motive. A similar claim would be unlikely to be sustainable if the same accountant were to be asked temporarily to take on some financial record-keeping duties in the unforeseen absence of a more junior colleague. In this case, a plausible argument that this was an effective

means to the realization of the organization's goals in the circumstances could almost certainly be made.

If we apply the process of resolution of media-steered interactions we proposed above to the employment relationship — that is, the comparison of the action situation with a model — we can divide the contractual regulation of the relationship into two parts roughly along the lines suggested by Baldamus, which is to say into the objective and social aspects which are specifically and more or less unambiguously defined, and those which are necessarily subject to interpretation. Thus on the one hand we have objective matters such as those related to the temporal confines of organization membership (e.g. the working day, holiday entitlement, flexitime), or to levels of pay (hourly rates, overtime); and social/normative matters such as the identification of office-holders entitled to issue instructions, or requirements for certain types of conformity such as the wearing of uniforms. These are not generally matters where contractual compliance or non-compliance on the part of employee or employer is difficult to determine (although this is not, of course, to suggest that there may not be difficulties of interpretation in certain circumstances). The validity of the contractual norms in question is not dependent on the individual situations of the other members of the reference community. Beyond these basic parameters, however, we move into those contexts where the assessment of validity depends on the adoption of a worldview.⁶

6.2(a) Enterprise worldviews

We noted above that contractual definitions of work can be understood in both a quantitative and a qualitative sense. If we understand employment as a power relationship, then the *quantitative* equivalence of labour and wages as outlined in the contract represents the specification of the effectiveness of an interaction from the perspective of the individual employee. If we understand it as an exchange relationship, then the *qualitative* specification of the work to be performed represents the organization's end of the bargain, its entitlement under the contract. Thus we cannot in fact define employment as one thing or the other. If we are to be able to understand it in abstraction from either perspective, we must allow that social interactions in the context of the employment relationship are simultaneously steered by both power and money. The worldviews appropriate to the understanding of the employment relationship, then, and to the construction of structural models of the employing enterprise in its economic context — let us call them

⁶ It is these contexts which management and industrial relations writers in the Foucauldian tradition tend to refer to as the 'space to be governed' in between the few precise terms of the contract and what is owed to the employer in practice. As we suggested in Chapter 4, however, the ideal of power/knowledge is surely an inadequate theoretical explanation for the government of this space, discounting as it does the possibility that the system may represent an empirical force with which employers and employees both have to contend but about whose characteristics agreement is in principle possible. In this chapter we present an alternative explanation for the government of the 'space between promise and performance'.

‘enterprise worldviews’ — will involve assumptions about both types of media-steering. Enterprise worldviews are therefore characterized by the interaction of views about money and views about power. Given that views of each medium can be located on a continuum running from a formal to a substantive understanding, this suggests that we can locate enterprise worldviews according to their positions on a two-dimensional conceptual map. As we argued in chapter 5, the economic dimension is represented by assumptions about the value status of the market imperatives to which the organization must respond (neutral/disinterested or fair, or unfair/interested); and the power dimension by the understanding of the register of communication between office-holders and ordinary members of the organization (formal/procedural, i.e. referring solely to legality, or substantive, i.e. involving claims about effectiveness intended to be meaningful). It is the combination of these two dimensions that gives rise to the four ideal types of enterprise worldview which we want to propose, and which are set out in table 1 below. We will briefly describe each of these worldviews from the perspective of the actor in a social system, before going on to discuss the corresponding meanings of the employment relationship and the related structures of communication, and finally the similarly corresponding structural models of the enterprise.

Table 6.1: Enterprise worldviews

Value status of market imperatives (money system)	Register of communication within the enterprise (power system)	
	Formal/procedural	Substantive
Disinterested or positive w.r.t. general social interest	Market subsystem	Associative community
Interested	Industrial <i>realpolitik</i>	Pluralist polity

(i) *The enterprise as market subsystem*

This worldview represents the classic neoliberal perspective, which tends to appear in one of two versions, which we can call fatalist or evangelical. The fatalist view suggests that the demands of the economic system are simply as they are, and that its distributive outcomes are inevitable. To say we are coerced by the economic system only makes as much sense as to say that our bodies force us to eat or that the rain forces us to take shelter. The evangelical view adds to this

perspective a positive normative assessment of market outcomes. It is not just that they *are*, but that they *should be*. Its advocates believe, often with a fervour verging on the religious, that the normative legitimacy of market-based exchange as a mode of distribution *is* and *can only be* preserved through the free, and thereby wholly strategic actions of individuals conceived as market actors. We might speculate that the fatalist version of this view will be more common among employees, and the evangelical version among managers.

In either case, the interpretation of what the market demands appears as a technical process and management as a profession whose members aim only to make the most scientifically effective interventions. In this sense there is no distinction between a technically effective managerial intervention and a normatively legitimate one. Assumptions about the register of communication within the enterprise reflect the belief that the formal-legal specification of the scope of managerial competence coincides with technical, which is to say market effectiveness. Managerial choice, whether in strategic or operational decision-making, is effectively nil — either a course of action is the most effective available, or it is not. Since the order governing the enterprise simply reflects the economic order in which the enterprise itself must participate, to co-operate with employers, accepting whatever share of the rewards of economic action their technical understanding of the market leads them to grant, is the only rational course of action.

(ii) *The enterprise as outcome of industrial realpolitik*

The key characteristic of this view is that to act according to the demands of the economic system is to act in the interest of a certain social group of which employees are not members. Nonetheless since employees, whether individually or collectively, can do nothing to change this situation, they are forced by their material circumstances to work within that economic system. It is therefore rational for employees to co-operate with employers — in the sense of working towards the fulfilment of market demands — if this co-operation is rewarded in such a way that their material needs are met. Similarly, employers can do little to change the politically or socially sanctioned ability of employees to resist their authority, whether this resistance takes the form of organized collective action or more individualized conflictual practices. Hence it is rational for them to accept the power of workers as long as it is possible to maintain an adequate return on the investment in labour. The definition of adequacy here is tactical or pragmatic: an adequate reward or return on investment is the largest which is practically (politically) possible given the balance of power between capital and labour. Employees will carefully measure and restrict their input to ensure that the employer gains nothing for which s/he has not paid. For their part, employers will carefully monitor the behaviour of employees to ensure that their contribution is precisely as has been agreed.

On this view, both the demands of the economic system and the essentially non-economic individual or collective goals of workers or trade unions are reflected in the *negotiated* order that governs the enterprise. Perhaps most importantly, since market imperatives merely represent the intentions of a particular group, the viability of enterprises need not be damaged by the apparent non-optimality of enterprise action under these circumstances. All that is required is an adjustment of Capital's expectations to the unavoidable social reality of worker power.

(iii) *The enterprise as pluralist polity*

From within the 'pluralist polity' worldview, the economic system does not belong to anyone. Rather, different individuals and groups with goals of equal status or legitimacy are entitled to try to "fulfil their aspirations through the medium of the enterprise".⁷ This is not to say that market demands as articulated by employers are value-free, in fact quite the contrary. However, these demands are viewed as perfectly legitimate, and employers are entitled to proper representation of their interests in the goals of the enterprise just as workers are. While it is not rational for workers to co-operate with employers and *vice versa* regardless of what the other wants to do, it is certainly rational to seek to strike a bargain in which each side gets as close to what it wants as is compatible with the same outcome for all, in other words a bargain which is *fair*. In any particular case fairness will take into account both the degree of functionality of the employee=s compliance for the realization of organizational goals; the costs of compliance borne by the employee in terms of the required skill and effort, the working environment and any other relevant objective factors; and prevailing norms with respect to acceptable standards of living.

For any one group, a fair bargain is not necessarily the best bargain which is possible on the basis of the empirical balance of power. The demands of the market have to be respected because they represent the legitimate interests of one group in society without the co-operation of which other groups could not pursue their own interests. The respect due, however, is limited by the need to accord equal respect to the interests of other groups.⁸

(iv) *The enterprise as associative community*

The notion of the associative community is borrowed from Ronald Dworkin, who uses the term to capture the sense of a complex of social relationships which are fundamentally non-contractual in character. Membership of an associative community inherently carries with it a series of obligations that exist even though within the group there may be only a diffuse idea or sense of

⁷ Flanders 1974, p236.

⁸ See Chapter 3, section 3.1(e)(i).

members' rights and responsibilities.⁹ For the private sector enterprise, the need to respond to market imperatives is at the core of this sense of rights and responsibilities.

So, while from within this enterprise worldview the demands of the economic system appear as unalterable and unavoidable and hence the goal of all in the enterprise must be to fulfil them, both the identification or interpretation of these demands and the means by which they should be met are matters to be resolved through processes of consensus formation. Rigid one-way authority relationships, the close pre-specification or limitation of employee effort, and surveillance-oriented management are all inappropriate. Management is certainly at least a partially technical process and hence the views of appropriately qualified managers are due considerable respect. However, knowledge is conceived more broadly and is recognized as contingent, temporary, widely distributed within the enterprise and democratically 'owned'. Managerial action in the absence of the understanding and acceptance of ordinary workers makes no sense. This extends to both strategic and operational processes, including the distribution of rewards.

6.2(b) Meanings of the employment relationship

In the previous chapter we described systemic meanings as 'formulae' which at least partially determine the outcome of social interactions. A meaning of the employment relationship, then, will partially determine the outcome of interactions between employees and managers. It represents an actor's predisposition to understand offers of communication in a particular way; a prejudgement both of the relevance of certain elements of the action situation and of their relationship to each other. Each of the enterprise worldviews we have just described implies an understanding of the employment relationship in which communication takes place under a particular set of formal conditions. These can be represented as a structure of validity claims.

We will name the meanings corresponding to the four worldviews as follows: market exchange (corresponding to the market subsystem worldview), pragmatic compromise (industrial *realpolitik*), fair exchange (pluralist polity), and social membership (associative community). For the sake of simplicity and brevity, the descriptions of each meaning below are drawn principally from the perspective of the employee rather than the manager. However, it should be clear that meanings corresponding with the same enterprise worldview could as easily be drawn from the managerial perspective.

⁹ Dworkin argues that associative obligations are "interpretive" in the sense, for example, that it is an open question among friends what friendship requires. The reciprocity involved in the obligations "*cannot* be a matter of each doing for the other what the latter thinks friendship concretely requires. Then friendship would only be possible between people who shared a detailed conception of friendship and would become automatically more contractual and deliberative than it is, more a matter of people checking in advance to see whether their conceptions matched well enough to allow them to be friends." (Dworkin 1986, p198.)

(i) *Employment as a market exchange*

In this formal or procedural understanding of the employment relationship the two key assumptions, drawn from the corresponding worldview, are that the register of communication between employees and managers is formal, and that the imperatives of the market are objective and unavoidable. The key feature in the resolution of interactions is the maintenance of an equivalence between labour and reward coherent with the price norms of the (labour) market. The primary reference point for compliance (beyond the individual action orientations of the employee) is therefore *external* to the enterprise. It is the exchange character of the relationship which is dominant, with the consequence that the internal and external rules defining the enterprise are of minimal importance, representing only the outer limits of managerial sovereignty. Within these limits, negotiation about the scope of sovereignty is unlikely to occur, this being defined principally by reference to certain environmental conditions (the market) rather than to the order of the enterprise itself.

Participants in action are principally oriented towards strategic action in the market, which is to say the maintenance of *profitable* relationships, but the overarching assumption that the market must be taken as it is means that there will be no intervention to ‘force’ a relationship into profitability. Negotiation may well occur, but the only sanction participants have available is the refusal to enter or continue in a relationship. If the individual preferences and orientations of an actor are such that a profitable relationship is unavailable, then the preferred or rational course of action is simply not to participate in the labour force. To use Hirschman’s terminology once again, the option of ‘voice’ is not thought to be appropriate.

The market exchange view assumes that there is no substantive normative content in the employment relationship. All that matters is that the order of the enterprise is legal, that instructions are coherent with this order, and that compensation is paid at the market rate. Managers are certainly not (legally) entitled to pursue their own personal interests in issuing instructions, but there is no assumption that the reasons *why* the ends of the enterprise are served by following managerial instructions either must be transparent to employees, or that employees must trust in the effectiveness of those instructions. Also for this reason, the only objective conditions for compliance are its physical possibility and what we might call its ‘non-absurdity’, i.e. it must not be patently obvious that an instruction is nonsensical.

(ii) *Employment as pragmatic compromise*

Under this meaning, the register of communication is also understood as formal, and strategic action is therefore the appropriate mode, but, in contrast to the market exchange meaning, it is *not*

assumed that the imperatives of the economic system are quasi-natural, objective forces. Rather, they are understood as representing the interest of a particular group in society. When managers argue that the enterprise is subject to economic constraints, then, they are not referring to some genuinely external factor, but are instead merely articulating the interests of a certain subgroup of organization members (shareholders). The same could be said of employee arguments about the price norms of the labour market. The resolution of interactions between managers and employees is therefore internally focused, dependent on the ongoing negotiation of sovereignty. Whereas employment conceived as a market exchange sees the formal order or rules of the enterprise as delimiting a space for purely *economic* action, employment conceived as pragmatic compromise understands economic imperatives, for example of profitability or ‘the going rate of pay’, as representing the outer edges of a zone of *political* action.

Participants in this zone are oriented towards strategic political action, which is to say the minimization (or, from the managerial perspective, the maximization) of compliance with authority. This is to say that the aim of strategically acting employees in negotiating the scope of sovereignty of managers is to maintain their rights as members of the enterprise (including at the limit the ongoing ability of the enterprise to supply those rights) while minimizing their obligations. Thus we can say that employees are oriented towards *effectiveness*, but only as defined from an individual or sectional perspective.

Like market exchange, this meaning assumes that there is no legitimizable content in the employment relationship. In terms of the conditions of compliance, it can be reliably distinguished from market exchange only by the emphasis on the pre-existing terms of a formal contract of employment. However, while it is not a necessary implication of this meaning that employees act collectively, the conception of market imperatives as representing a sectional interest implies a certain unity of interest among those enterprise members who do *not* recognize their interests in these imperatives. There is a strong tendency, then, for the interests of employees to be articulated collectively. For this reason, the conditions of compliance can include a reference to the need for instructions to be coherent with collective agreements.

(iii) *Employment as fair exchange*

Where employment is conceived as fair exchange, it remains the case that the imperatives of the market are not conceived as value free or objective, but in contrast to the pragmatic compromise and market exchange meanings, the appropriate register of communication is thought to be substantive, *at least within the negotiated boundaries of managerial sovereignty*. The formal order of the enterprise is once again understood as representing the limits of a zone of action, but in the context of this meaning this boundary is of immense importance because it is only within it

that the use of the substantive register of communication is appropriate. By contrast, in *defining* the limits, which is to say in negotiating the formal order of the enterprise, a strategic approach is warranted since it is not possible to identify a substantively shared interest for all the members of the enterprise.

In day-to-day interactions, then, participants are oriented towards the effective implementation of the (negotiated) order of the enterprise, which is also to say that they are internally focused. They have freely agreed to the order of the enterprise and are bound by the categorical normative obligation which attaches to promise-keeping. Again, there is no necessary implication that employee interest will be collectively articulated. It is certainly possible for the order of an enterprise to be recognized as representing a shared interest without direct or formal employee input into its definition. However, for the same reasons we mentioned with respect to the pragmatic compromise meaning, the tendency here will be for employees to act collectively.

It is obvious that to understand employment as a *fair* exchange is to assume that it has legitimizable normative content. This arguably extends beyond the exchange considered in isolation, however, to include the effect of that exchange on society beyond the enterprise. As we argued in the previous chapter, the reference community for exchange constitutes society as a whole and it is an essential part of the (substantive or legitimizable) meaning of fairness that the interests of those not immediately involved in an exchange are also considered. Thus the order of the enterprise must be coherent not just with the law, but with the general interest, i.e. with ethical and other legitimizable social norms.

Finally, since within the limits set by the formal order of the enterprise the register of communication is assumed to be substantive, managerial instructions have to be redeemable in more than a formal sense with respect to their objective and subjective components. Insofar as there is a physical-technical component to the effectiveness of co-ordinated action, employees must either understand why an instruction is effective, or must trust in the ability and willingness of a manager to explain this if necessary. Similarly, it is also an assumption of the fair exchange meaning that managers will not attempt to realize enterprise goals via manipulative or other strategic means of co-ordination.

(iv) *Employment as social membership*

From the perspective of this meaning, the employment relationship appears at its least systemic. The appropriate register of communication is substantive, and the imperatives of the market are conceived as objective and value free in themselves. The resolution of interactions depends on the consensual view of the participants' situation. The focus is external to the extent that the major factors taken into consideration in reaching decisions about action are the imperatives of the

market. Insofar as it makes sense to talk about managerial authority, this is related exclusively to managers’ demonstrated expertise in interpreting these imperatives. The availability of this expertise, however, certainly does not in itself invalidate the knowledge of ordinary members of the enterprise, which remains relevant as long as there are good reasons to take it into account. This is the major distinction between the social membership and market exchange meanings.

The imperatives of the market, then, do restrict the range of rational courses of action, but in a way which is not recognized as repressive and which does not extend to the internal configuration of the enterprise. In principle, there is no prior restriction on the means by which members of the enterprise go about pursuing market objectives. For this reason, the substantive legitimacy of the employment relationship extends to the order of the enterprise itself. Within the limits imposed by the location of the enterprise within the economic system, and the irreducible core of individual interest at the root of enterprise membership, action can be said to be communicative.

6.2(c) The formal conditions of communication in systemic contexts

We can flesh out this rather sketchy picture of the different possibilities for understanding the employment relationship by specifying the validity claims that underpin managerial communication within each of the four meanings. Table 6.2 (over the page) sets out the claims that underpin managerial instructions as these will be understood by actors adopting each of the four possible meanings of employment.

6.3 STRUCTURAL MODELS OF THE ENTERPRISE

In the conclusion to Chapter 5 we suggested that the method of the social sciences is not in fact counterintuitive, as Habermas suggests, but that the construction, use, evaluation and amendment of conceptual models based on the external observation of social systems is something common to all participants in social action. This is to say that ordinary actors possess an intuitive understanding of the systems within which they act based on the worldview through which they interpret their lifeworld context. The range of structural models suggested below, then, simultaneously represents a typology of academic conceptualizations of the enterprise and of possibilities for the interpretation of the enterprise in practice. We cannot say *a priori*, therefore, that any one structural model is more appropriate or accurate than any other. Given what we have already emphasized about the variability of systemic characteristics in the context of different

Table 6.2: the conditions of communication implied by the four meanings of the employment relationship

	Market exchange	Pragmatic compromise	Fair exchange	Social membership
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Normative	The order of the enterprise (its objects, structures and practices, including the employment contract) does not in itself violate any legal norms.	The order of the enterprise (its objects, structures and practices including the employment contract and any collective agreements) does not in itself violate any legal norms.	The order of the enterprise (its objects, structures and practices, including the employment contract and any collective agreements) does not in itself violate any legal or other legitimate norms.	The order of the enterprise (its objects, structures and practices) embodies a common or shared interest of all of its members, and does not in itself violate any legal or other legitimate norms.
	The instruction is coherent with the order of the enterprise (i.e. the enterprise has the right to demand compliance under the terms of the employee's contract).	The instruction is coherent with the order of the enterprise (i.e. the enterprise has the right to demand compliance under the terms of the employee's contract and any collective agreements currently in force between the enterprise and a relevant recognized union).	The instruction is coherent with the order of the enterprise (i.e. the enterprise has the right to demand compliance under the terms of the employee's contract and any collective agreements currently in force between the enterprise and a relevant recognized union).	Compliance represents an effective means of carrying out the normative order of the enterprise.
	Continued compliance will be compensated by the payment of wages or salary at the market rate.	Continued compliance will be compensated by the payment of wages or salary as stipulated in the employee's contract (as extended by any relevant collective agreements).	Continued compliance will be compensated by the payment of wages or salary which, taking into account any non-monetary benefits privately accruing to the employee, represent a <i>fair</i> return for the employee.	All members of the enterprise will be entitled to a share in the material rewards accruing from enterprise action. Rewards will be distributed according to agreed criteria.
Objective	Compliance with the instruction is neither physically impossible, nor obviously pointless, nor otherwise <i>prima facie</i> likely to be ineffective as a means of carrying out the order of the enterprise.		Insofar as the instruction refers to the properties of the objective world, it represents an effective means to carry out the normative order of the enterprise.	
Subjective	The manager issuing the instruction intends to achieve with his/her action <i>only</i> the taking of steps that will lead to the realization of the order of the enterprise.		The manager issuing the instruction intends or believes that an employee, in complying with an instruction, will be carrying out the order of the enterprise (rather than the order being realized by a collateral effect of compliance).	
	The order of the enterprise is in the interest of the employee in the sense that the obligations of membership are outweighed by individually-accruing benefits which are desirable in the light of the needs, preferences, value orientations and attitudes of the employee.			

approaches to social relationships within the system, it should be clear that the choice of a structural model for use in the social scientific analysis of systems depends on a proper understanding of the meanings of systemic relationships to those who participate in them.

We will refer to the four structural models implied by the four enterprise worldviews as follows: labour market (corresponding to the market subsystem worldview); rulebound industrial relations system (industrial *realpolitik*); co-operative industrial relations system (pluralist polity); and the flexible firm (associative community). In each case we will briefly describe the kind of external perspective on action within the enterprise which is implied. It should be noted that from a systemic perspective we can understand our conceptual model of enterprise worldviews slightly differently. The dimension 'register of communication' (the power dimension) represents the relative importance of structural models *per se* to decisions about action, which is to say the degree to which systems-theoretical conceptualizations of co-ordinated groups of social actors are potentially an accurate reflection of actual behaviour. The dimension 'value-status of the market'

(the money dimension) represents the relative importance of the external economic system in relation to the internal power system.

6.3(a) The enterprise as a labour market

This model of the enterprise combines the assumptions that the degree of media steering is high, and that the external economic system is very important relative to the internal power system. In fact in this case, the internal organizational system is more or less directly dependent on the external economic system. Given that management action is more or less unconstrained, we must assume that it will simply reflect imperatives arising from the enterprise's competitive environment. In parallel, the ability of employees to bargain about their employment contract will be wholly dependent on the state of the labour market, and likewise their ability to refuse to comply — if we assume that they need to work — is dependent on the availability of other jobs. Thus the economic system not only provides the enterprise with its most important goals (its 'output requirements'), but also structures the internal order of the enterprise.

6.3(b) The enterprise as a rulebound industrial relations system

While this conceptualization of the enterprise also assumes that interactions are strongly steered, power rather than money is thought to be the predominant medium. The economic system remains very much external to and separate from the enterprise, whose closely specified internal order reflects instead the political balance of power between capital and labour. This political equilibrium will reflect the state of the economy and the labour market only indirectly (if at all) since the imperatives of the market are 'filtered' through a legal-institutional framework that represents a negotiated compromise between the purely market-oriented goals of enterprises and the non-market goals of employees (articulated in most cases by their trade unions).

6.3(c) The enterprise as a co-operative industrial relations system

It would probably be fair to argue that it was this conceptualization of the enterprise that lay behind the hopes for the development of industrial relations the expression of which was commonplace at the late 1960s and early 1970s. The difference from the 'rulebound' version may seem subtle at best, but it essentially involves the assumption that given a well-crafted set of rules, participants will adopt a co-operative approach to their interpretation. To put it in terms of our discussion in the previous chapter, the hope is that actors will bridge the gap between rule and action through dialogue aiming for a consensual interpretation of the order of the enterprise, rather than interpreting the rules from an external, empirical perspective.

6.3(d) The enterprise as ‘flexible firm’

With this conceptualization of the enterprise we abandon the claim that interactions *within* enterprises are steered to any significant extent, although the market context remains, and hence interactions between the enterprise and individuals or enterprises external to it are still predominantly co-ordinated via the medium of money. On this view, the idea that the realization of the goals of an enterprise represents a shared interest for its members has to be taken seriously. The assumption is that every managerial instruction will be assessed in the light of its contribution to the realization of these organizational goals, as it were from first principles, and hence innerorganizational social action is very similar to communicative action. The outcome of interactions will not be determined by reference to rules, but by the force of the better argument about how best to realise the participants’ collective goal. This, of course, implies both that decision-making involves workers and managers together, and that interaction between the participants will be deliberative or dialogical as opposed to bargained. There are in principle no prior restrictions on the internal configuration of the enterprise, which is why we use the term ‘flexible’. So, although it is located within an economic network which supplies many if not most of its goals, the interior of the enterprise is socially integrated.

6.4 CONCLUSION: SYSTEM, LEWORLD, EMPLOYMENT AND THE ENTERPRISE

In this chapter we have presented a range of possibilities for understanding both the employment relationship and its enterprise context. None of this argument should be taken as suggesting that the various worldviews, meanings and models of the enterprise (summarised in table 6.3) *necessarily* represent concrete historical modes of thought — although as we shall see in the next chapter they are well-represented in the policy debate discussed in Chapters 2 and 3. Rather they are ideal types, and as such indicate the limits of the ‘hermeneutically possible’ within the employment relationship. The core of our theoretical proposition, then, is that the employment relationship is a social relationship which is *compromised* by its systemic context such that it can only vary within the bounds we have suggested. While there is considerable scope for variation in the way in which employment is understood, there are certain formally-defined limits beyond which an employment relationship can no longer be described as such. What unifies the different variants of employment and the enterprise is precisely the systemic context and the need for the participants in action to respond in one way or another to the imperatives arising from it.

Table 6.3: a summary of the enterprise worldviews and the corresponding meanings and structural models

Enterprise worldview	Meaning of the employment relationship	Structural model of the enterprise
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Market subsystem	Market exchange	Labour market
Industrial <i>realpolitik</i>	Pragmatic compromise	Rulebound IR system
Pluralist polity	Fair exchange	Co-operative IR system
Associative community	Social membership	Flexible firm

Chapter 7 Conclusions: Turning pluralism inside out

In Chapter 1 we suggested that Fox's theoretical legacy left us with two important questions to answer. Unlike Flanders, Fox appears not to have been entirely convinced that coherence between action-level (normative and subjective) and structural types of motivation was impossible. Hence the first question we tried to answer was precisely whether we could demonstrate that it was. Fox also recognized that social action was a consequence of either action-level *or* structural *or* both types of motivation, and that the weight of each element could vary. Our second question, then, was whether we could make sense of employment and industrial relations contexts on the basis of the degree to which each type of motivation contributed to action.

What we were able to show in Chapters 5 and 6 is that there are in fact four possibilities for coherence involving different balances between structural and action-level motivation, each of which implies a different type of employment relationship and a corresponding conceptualization of the enterprise. We argued that there are four possible 'enterprise worldviews', each of which conditions the interpretation both of the employment relationship and of the structures within which it is conducted. From the perspective of each worldview, the employment relationship has a particular meaning; it is understood as involving a particular set of validity claims. These 'forms of understanding' both imply and are implied by 'structural models' that link the conduct of the employment relationship — the issuing of orders by managers and the response of workers — to outcomes at the level of the enterprise.

At the end of Chapter 3 we added another question: was it possible for unionized industrial relations to proceed on the basis of deliberative or dialogical decision-making as opposed to bargaining? Or rather, if it were to be possible, would this be at the price of accepting that the socio-political goals of the union movement have to take second place to the maintenance of a managerially defined vision of enterprise competitiveness? We have argued that the theoretical possibility of the associative community worldview, in which social action in the context of the enterprise is to all intents and purposes both fair and effective, demonstrates that deliberative modes of interaction at work are in principle compatible both with economic success and with a democratically defined normative order.

The pattern of our analysis, then, closely echoes that of Fox himself. Fox identified two ways of interpreting the employment situation, pluralism and unitarism, which in the abstract are equally valid but which, like Habermas' worldviews, 'make possible utterances which admit of truth'. According to Fox, the empirical evidence clearly suggested that pluralist modes of analysis and intervention were likely to lead to the most effective modes of industrial organization. What we saw in Chapters 2 and 3, however, was that since the late 1960s those who have adopted a

pluralist analysis — principally trade unions and their supporters — have found it increasingly difficult to construct industrial relations policies which appear plausible in the changing political, economic and industrial context. While this has prompted some limited experimentation with new types of policy, the constraining effect of the pluralist analysis is still clearly visible. The supporters of ‘partnership’ models of trade unionism are still working with an incoherent analysis because they have been unable to take the final step of abandoning their commitment to *bargained* joint decision-making.

We arrived at the argument that there are in fact four ways of interpreting the employment situation, by working back from the evidence of the policy debate. We suggested that the inability of the trade unions in Britain and Ireland wholeheartedly to pin their colours to the mast of partnership by insisting on the universal introduction of non-bargained joint decision-making was due to their fear that in so doing they would simply be legitimising managerial plans and strategies. In attempting to address this fear we were able to show that social action in systemic contexts *can* be normatively framed, even though it need not be.

In this concluding chapter we can, of necessity, propose no more than some preliminary comments, as the range of issues involved is very wide. The chapter is divided into three parts. First of all, we want to discuss the analytic possibilities opened by the four-way classification of enterprise worldviews that we have proposed in place of Fox’s frames of reference, together with some implications for the methodology of industrial relations research. Second, we want to consider the dynamics of change in enterprise worldviews, as well as the implications for enterprise organization and the institutional structures of employment and industrial relations. We will argue that in the contemporary economic and political context the associative community worldview is likely to lead to more effective modes of industrial organization both in the established objective sense of enterprise success, and in the normative senses of organizational democracy and accountability. Finally, we want to suggest the outlines of a trade union strategy appropriate to the aim of promoting the associative community worldview.

7.1 THE ANALYTIC AND METHODOLOGICAL IMPLICATIONS OF THE ‘ENTERPRISE WORLDVIEWS’ APPROACH

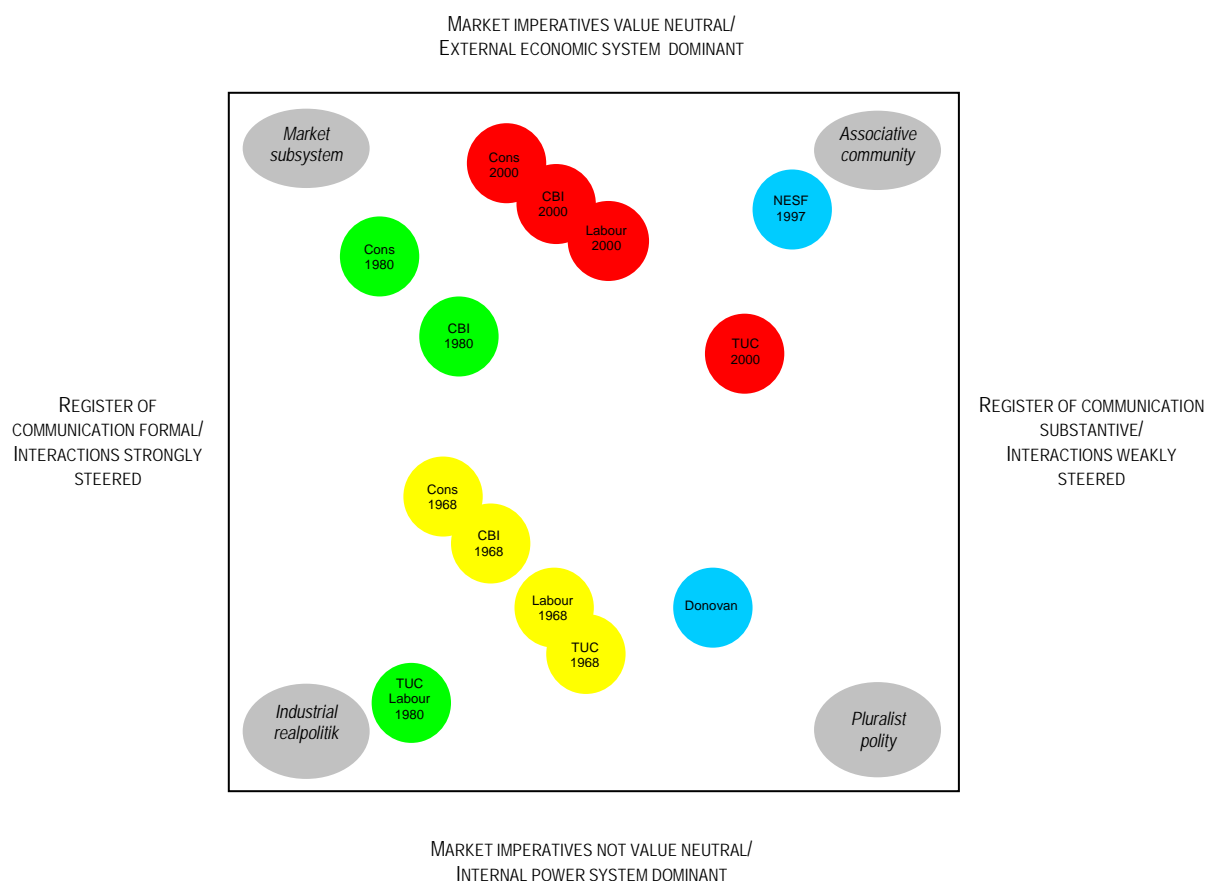
7.1(a) Categorising conceptual approaches to industrial relations

The different conceptualizations of the employment relationship and of the enterprise that we have proposed are, of course, very strictly speaking ideal types. Individuals and more particularly organizations are rather more tolerant of ambiguity and incoherence than we can be here. Nonetheless, we can still see clear affinities between the positions adopted over the years by the participants in the industrial relations policy debates and our ideal types. We suggested above

(section 6.2(a)) that we could locate the enterprise worldviews on a 2-dimensional conceptual map. Having done this, it is possible to ‘plot’ the historically occurring worldviews we encountered earlier in relation to the abstract types we proposed in Chapter 6.

Figure 7.1 is a conceptual map showing the ideal typical enterprise worldviews together with the main currents of thought we identified in Chapters 2 and 3. We have included the major variants of the policy positions adopted by the TUC, CBI, Conservative Party and Labour Party, plus two more — the positions underpinning the Donovan Commission and the 1997 report of the Irish NESF. It should be noted that what we are trying to indicate is the relationship of the different positions to each other. There is no attempt to suggest some kind of absolute policy ‘distance’ of each position from the ideal types.

Figure 7.1 a conceptual map showing the location of the enterprise worldviews and some empirically occurring concepts in industrial relations and organization theory



(i) Mapping historical worldviews

We can see, then, that the TUC in 1968 gave slightly more weight to the demands of the market than the ideal types at the southern end of the map. It recognized that there was a need for

enterprises to remain viable, and that the demands of viability were not within the control of management. It was ambivalent on the issue of the possibility of substantive communication, which is to say active co-operation between workers and management. There was a recognition that it was in principle possible, and that as long as it was carried on within clearly defined negotiated boundaries it could be very positive. Above all the TUC believed in the value of voluntarist solutions agreed by parties who approached negotiation with ‘goodwill’, which is to say a positive willingness to find an agreement which brought benefits to all involved.

Relative to the TUC’s view, the Donovan Commission was more convinced both of the need for action to improve the responses of enterprises to external imperatives, and of the possibility of co-operation. It remains firmly in the southern half of the map, however, because of its central assumption that managerial authority had to be exercised within negotiated limits.

We have located the contemporary CBI some way north and a little to the west of the TUC. Its more northerly position is due to its natural commitment to a rather more objectivist conception of the imperatives of the market. It is further to the west because although it shared the TUC’s fundamental commitment to voluntarism, it arguably had less faith in the possibility of co-operation and tended in certain circumstances to look more favourably upon regulatory solutions to industrial relations problems.

The Labour Party, at this stage not yet involved in the joint policy making with the TUC that would begin after the victory of the Conservatives in the 1970 general election, took a position more or less equidistant between the CBI and TUC. The 1968 Conservative Party is located furthest north and west of all, reflecting both its emerging interest in free competitive markets and its preference for the regulation of the relationship between trade unions and employers, a preference markedly clearer than that of the CBI.

By 1980 there had been a distinct polarisation of positions. The TUC and the Labour Party — their positions now formulated jointly in the TUC-Labour Party Liaison Committee — had (as it were) moved southwest. The demands of the market had been dismissed as having little or no objective force, the problems faced by industry being diagnosed as arising from the unwillingness of business and finance to accept the social reality of increased worker power. The main policy objective was to circumscribe the prerogatives of management as closely as possible through planning agreements and collective bargaining. Co-operation was thought to be possible only within extremely well defined limits and hence bargaining was conceived as being wide in scope and collective agreements comprehensive and detailed.

The CBI and the Conservatives, meanwhile, had both moved decisively northwards, reflecting the neoliberal turn of the British right. Under Margaret Thatcher, the policies of the Conservative Party had been radically refocused, turning away from the Heathite strategy of

industrial and economic control through regulation towards a determination to expose enterprises to the external imperatives of the market. Business was to be relieved of the need to compromise its plans in order to appease the unions. At this early stage in the Conservative administration, however, the CBI remained to be convinced of the merits of this strategy. It was particularly doubtful that that monetarist economics would alone be an effective cure for inflation. It retained some commitment to the idea that joint union-management determination of the internal regulation of enterprises was necessary if wage claims were to be kept under control, and was somewhat concerned that open attempts to reassert managerial prerogative might lead to insurmountable industrial unrest.

Between 1980 and 2000 it was the TUC and the Labour Party that travelled furthest, leaving far behind the fault-driven policies of the alternative economic strategy. Certainly, as we saw in Chapters 2 and 3, their progress was not linear in the sense that there were several intermediate steps. Nonetheless, the direction was consistently northeast. The northward component is clearer, representing a move towards the recognition that market imperatives cannot be ignored and that effective responses require the internal configuration of organizations to remain contingent and open to change. The policy-makers of the Labour Party have moved further in this direction than their erstwhile colleagues in the TUC. Labour's commitment to free market economics and to the ultimate right of management to take unilateral decisions on behalf of the enterprise is now scarcely weaker than that of the Conservative Party. Labour is not placed equally far north simply by virtue of its having introduced a procedure for compulsory union recognition in certain circumstances — although there is a strong case to be made that the recognition procedure is not coherent with its broader worldview, representing instead the political price of continued trade union support.

By contrast, for all that the TUC is now very willing to recognize that market forces are imperatives that apply directly to all members of the enterprise, it believes that management unilateralism is likely to have a negative impact on the ability of organizations to change in response to economic pressures. Hence its view that there are certain aspects of the conduct of the employment relationship that must remain constant, regardless of the market circumstances. Workers who believe that what their employers require of them will remain within limits subject to joint definition, argues the TUC, will be much more willing to co-operate with change than those who do not.

Less pronounced but perhaps more interesting is the move eastwards. In this regard the TUC has moved further than the Labour Party, being readier to accept that it is valuable for workers and managers to engage in genuine dialogue about the plans and strategies of the enterprise, dialogue in which the choice of a course of action is ultimately made on the basis of a

consensus about what should be done. The Labour Party is closer to the CBI and the Conservatives in believing that workers can in most cases be helped to understand why certain plans and strategies are called for and that their first-hand knowledge of the production process is an invaluable aid to managerial decision-making. However, it seems to believe that circumstances can and will arise in which the action which is required of the enterprise in the light of market pressures will be such as to provoke determined worker opposition. The Labour Party position — and again this is shared with the CBI and Conservative Party — is that employers must retain the right to act without the consent of their employees in order that the most ‘difficult’ market imperatives can be complied with.

The gap between the Conservative Party and the CBI that opened in the early years of the Thatcher administration had by 2000 closed. As the conception of the market as an objective force became more firmly rooted, and as it became clear that large-scale worker unrest was unlikely to occur again, most of the CBI’s doubts evaporated. Just as in 1968, the CBI’s position in 2000 is distinguishable from that of the Conservatives only by its slightly more pragmatic stance with respect to the internal organization of enterprises and the employment relationship. Both organizations have also moved eastwards. This reflects the increasing sophistication of their stance on the practice of management. As we have already mentioned, consultation and communication are important elements in the contemporary right-wing vision of the employment relationship.

Finally, it can be seen that the position adopted by the Irish NESF in the 1997 paper we discussed in Chapter 3 is the closest to the associative community ideal type. The NESF’s position rested on the need to respond effectively to market pressures, which are treated as technical issues in the sense that it is assumed that it is possible to find responses that are optimal with respect to the interest of the members of the enterprise conceived as a single group. At the same time it is not assumed that any one subgroup of members is in a position to know the interest of any other. Hence dialogue involving all members of the enterprise is considered to be a precondition for finding an optimal response to external survival imperatives.

(ii) *Clustering and consensus*

Our conceptual map has further heuristic value as a means of illustrating patterns of policy consensus and dissensus. We can see that in 1968, the positions adopted by the main political parties and the peak organizations of capital and labour were relatively close to each other. Although there was evidently not enough agreement to prevent arguments from breaking out, notably between the TUC and the Conservative Party over the 1971 Industrial Relations Act, we

can argue that the clustering of policy positions reflects the post-war consensus on industrial relations which accompanied the economic stability experienced in the same period.

By 1968, however, this period of stability was coming to an end. We can see from the map that in reaction to the economic crises of the 1970s the longstanding policy consensus broke down with Labour and the TUC heading in one direction and the Conservatives and CBI in the other. The Donovan proposals were clearly not found by anyone to be an attractive solution. The early 1980s were characterized by a radical divergence of policy between the right and left in Britain. Given the decisive victory of the Conservative Party in the 1979 general election, and the shift in the balance of industrial power to management consequent on government favour and high unemployment, the right was able to insist that its position be implemented. Polemic and protest were the inevitable result.

The closing of the policy gap that followed — leading to the situation in 2000 where the positions of the two political parties and the CBI are clustered close together, with the TUC a little further away — strongly suggests that the *arguments* of the right, especially those insisting that the market be treated as an objective force, were in the end extremely influential. We might indeed interpret the radicalization of the Labour and TUC policies that led to the 1980 position as a last ditch attempt to avoid recognizing that there might be some truth in these arguments. This recognition was central to the fundamental shift in thinking that occurred in the decade after 1985.

7.1(b) Categorising industrial relations systems

In order to study behaviour in organizations it is obviously not enough to identify the policy positions adopted by different organized groups at different times, even though such an exercise can be invaluable as a means of indicating the range of views that are likely to be present in a particular situation. The precise characteristics of the relationship between workers and managers will vary depending on the range and distribution of worldviews among the participants in any given situation. There is, clearly, an almost limitless range of possibilities, but we want to suggest that industrial or employee relations systems within enterprises can be grouped into three types. First, there are those in which a single worldview is dominant among all participants, both workers and managers. Second, there are those in which one worldview is dominant among managers and another among workers.¹ Finally, there are those in which no one worldview has a

¹ Readers familiar with the British industrial relations research tradition will recognize this tactic as having been introduced by Fox in *Beyond Contract*, where he suggested a four-way typology of patterns of management-employee relations based on the interaction of the frames of reference dominant in each group. This typology was further developed by Purcell et al (Purcell & Sisson 1983; Purcell and Gray 1986; Purcell 1987). For a discussion of these and other typologies of industrial relations and personnel management styles see Legge 1995, pp30-61.

dominant position. We do not propose to specify the complete categorisation that could be constructed to describe the sixteen industrial relations systems of the first two types — four of the first and twelve of the second — that are possible in principle. Nor do we suggest that all the possibilities exist in practice. However, for the purposes of illustration it will be useful to describe one of these types of system.

Human resource management (HRM), according to Guest, is a type of employee relations regime distinguishable by four goals: the *commitment* of the workforce to the success of the enterprise; workforce *flexibility*; the *strategic integration* of employee relations issues into planning and the managerial role at all levels of the organization; and a universal concern with *quality*.² We want to suggest that Guest's version of HRM encapsulates the type of employment regime implied by the idea of flexibility that was promoted by the Conservative Party and the CBI in the second half of the 1980s (see Chapter 2, section 2.4(c)). We suggested in Chapter 2 that the flexible worker is one who is objectively insecure but who does not feel it. The goal of management is to have workers react to instructions *as if* the validity claims which they imply are redeemable, particularly insofar as those claims relate to the objective (but esoteric) requirements of the market. Managers, however, are aware that there may come a point at which such claims will not be redeemable; that what the market requires that they require of workers may fall outside what we might call the zone of normative tolerance. Knowing this, and believing that the objections of the workforce are in the final analysis less important than the imperatives of the market, they are not prepared to guarantee that action will proceed only once a consensus has been established. Hence we can argue that HRM is an employee relations regime characterized by managers who have adopted a market subsystem worldview, and workers who have adopted an associative community worldview.

7.1(c) A note on method

We noted above (Chapter 5, section 5.7) that the general theoretical approach we have proposed has certain implications for method. We argued that the appropriateness of research techniques is dependent on the worldviews of the participants in the social institutions under investigation. Where the object of research is industrial relations or behaviour in organizations, we can say that the more formal the register of communication, the more appropriate will be those techniques which assume an external or systems perspective (those based on the inductive-probabilistic model, for example). The more substantive, the more appropriate will be those techniques that assume an action perspective. More specifically, we can suggest that there are research

² Guest 1987.

techniques adapted to each worldview. Where there is reason to believe that most actors have adopted the market subsystem worldview, the study of behaviour in organizations will need to be approached primarily via a consideration of the economic context of action. Labour economics and labour market analysis are the empirical research methods most likely to be effective.

In the case of evidence that participants in action have adopted the industrial realpolitik worldview, behaviour in organizations is likely to be best studied via the use of an objectifying perspective on the institutions of collective bargaining and industrial relations — within individual enterprises in the first instance, but where relevant also taking account of regulation existing at the supra-organizational level. While the economic context is certainly not irrelevant, it would need to be considered via its effect on the institutions of industrial relations rather than directly. The classic examples of this approach are to be found in anglophone industrial relations, notably Dunlop's highly influential *Industrial Relations Systems*, and the Oxford/Warwick school of institutionalist industrial relations in the UK.

The widespread conceptualization of the enterprise as a pluralist polity suggests a hybrid methodology aiming to understand the relationship between formal rule systems and the lifeworld contexts against which a consensual interpretation of the rules is established. The system-forming capacity of the institutions of collective bargaining and industrial relations is obviously an important focus, but there is also a need to understand the interaction of enterprise actors with those rules. The empirical research tradition that immediately comes to mind is the workplace case study method used perhaps to its best effect in British industrial relations research. Although this tradition has tended to focus on employees — as John Kelly suggests, it generally involves rich narrative accounts of the events, actions and arguments involved in the definition of workers' interests and the translation of these interests into collective organization³ — it could as easily be used to study the behaviour of managers, or managers and employees acting together.

Finally, where it can be established that the associative community worldview is dominant, the study of behaviour in organizations would have to proceed principally on the basis of a social action perspective — although it would involve the adoption of a systemic perspective in order to grasp the economic imperatives on the basis of which organizational goals are constructed. Once again, the principles and techniques of the workplace case study method appear appropriate, not least as they can be applied to the analysis of how consensus about the 'output requirements' of the enterprise is reached.

³ Kelly 1998, pp6-7.

7.2 ENTERPRISE WORLDVIEWS AND THE INSTITUTIONS OF THE EMPLOYMENT SYSTEM

Beyond the issue of categorising concrete historical situations, the major question that arises is how enterprise worldviews are maintained and how they change, and how change is accommodated (or not) within the institutional structures of employment and industrial relations. Although up until now we have only considered structural models of the enterprise itself, it would perhaps be more useful to think in terms of a larger 'employment system'. The structural counterpart of a form of understanding of the employment relationship, then, may not be simply a model of the enterprise, but of the enterprise in its institutional context. The term 'employment system' is nonetheless not intended to carry any great theoretical weight. We do not wish to suggest that it represents something separate from the money and power systems. Rather it is simply a convenient means of referring to the structures in which the two systems that steer the employment relationship coincide. In principle, then, the term encompasses a large part of the institutional apparatus of capitalism, but we mean to refer more particularly to the labour market, employment law, the institutions of industrial relations and, of course, the pattern of internal regulation in enterprises.

7.2(a) Changing worldviews and institutional architecture

Economic and administrative systems are obviously not wholly autonomous in the sense that they do not simply appear. Rather, they are created by conscious acts of rule-making. In practice, however, this rule-making does not begin with a blank page. The rule systems by which the institutions of money and power are constituted are always constructed on the basis of a particular worldview. In the case of the employment system, rules are based on certain preconceptions about the likely demands of the economy and politics and about the nature of the employment relationship. The rules that define the structure of the employment system, however detailed, are therefore merely a supplement to or extension of a set of existing relationship meanings that form part of the participants' worldviews and that always retain a significant degree of independence from the institutional architecture of that system.⁴ As we saw in Chapter 5, even the most strictly regulated hierarchical relationships involve the participants in a tacit negotiation of the bounds of sovereignty, the outcome of which is contingent on an assessment of their individual interest in membership of the enterprise based on an understanding of the values, preferences and beliefs of other actors and of how these action orientations manifest themselves as the functional characteristics of the employment system. The pattern of compliance with instructions, in other

⁴ To put the point in Townley's terms, contracts are not and cannot be complete, but they are drawn up on the assumption that the parties will interpret them in the light of a particular understanding of the employment relationship. It is this understanding which bridges the gap between 'promise and performance'.

words, depends not just on the instructions themselves, but on the worldviews of participants (see above section 5.2(a)(i) and 5.2(b)(ii)).

Those who make the rules therefore face two problems. The first is that it is impossible to have direct knowledge of the forms of understanding of the employment relationship that the many thousands or millions of participants in the employment system bring to the enterprises where they work. The pattern of forms of understanding must instead be inferred from whatever structural model best explains observed regularities in behaviour in the context of the systems that already exist. However, as Weber argued, these regularities are in themselves meaningless. Hence their interpretation is only possible on the basis of pre-existing assumptions about the relationships whose aggregated outcomes are the phenomena under observation.⁵⁵ The construction of the structural models that inform policy-making therefore depends on assumptions about the meaning of relationships that cannot be systematically supported with evidence from the life-experience of participants in social interaction. The less uniform and the less stable the pattern of adherence to forms of understanding among these participants, the more likely it will be that the external observation of conjunctions or regularities — interpreted in the light of a *single* worldview, and this not necessarily the dominant one — will give rise to an inaccurate specification of the functional characteristics of the system in question.

The second problem is that worldviews change, both in the light of the experience of action within the system, and because of influences from outside it. In Chapter 5 we proposed a basic model for the production and reproduction of systemic worldviews that showed how the resolution of social interactions in systemic contexts feeds into the construction of structural models of systems, and how the observation of the functional characteristics of those systems in turn affects the resolution of social interactions (see above, section 5.6(f)). We also argued that this feedback process is open to influences from the wider lifeworld context. To put it more simply, change in worldviews can be prompted either by evidence about the system-level outcomes of action (for example the success or failure of particular managerial strategies or types of trade union action) or by developments in lifeworld contexts (for example changes in the acceptable types of subordination or standards of living).

These two problems suggest that the structural model implied by the combination of the institutional structures of an employment system and the assumptions about the employment relationship on which those structures are founded may not represent an accurate specification of the system's *actual* or *emergent* functional characteristics. Even if it is accurate to begin with, it is unlikely to remain so indefinitely. Responding to system imperatives — again, a conscious

⁵⁵ We are assuming here that psychological or other types of scientific determinism are not being practised, that is that the connection between action and outcome is conventional or contingent rather than necessary.

process rather than something automatic — will become increasingly difficult as the actual connection between action and outcome drifts further away from that which is assumed. If no corrective action is taken, economic and industrial crisis will be the eventual result.

7.2(b) Maintaining the stability of the employment system

It is certainly not impossible that a government should wish to reform fundamentally a system which is not experiencing any kind of crisis, but we can safely assume that this will be a very rare event. Hence we can suggest that the aim of public policy with respect to employment and industrial relations will be to avoid or resolve crisis, i.e. to maintain or re-establish the stability of the employment system. This comes down to the ability of enterprises to comply with external survival imperatives. In most cases, this can be equated with the ability of managers to control their enterprises. Once again, how policy-makers go about re-establishing stability is a question of worldview.

(i) *Structural pragmatism*

Associated with the industrial realpolitik worldview, one solution to the problem of maintaining the stability of the employment system is to ensure that its formal rules are continually updated such that they remain ‘aligned’ with the changing state of the money and power systems. We can call this ‘structural pragmatism’ as it aims to build effective managerial control on the basis of the existing behaviour of system participants, where this behaviour is understood principally as a consequence of the political and economic balance of power. The ‘institutionalist’ type of industrial relations policy we identified in Chapter 1 clearly falls into this category.

In the particular context of dual media steering, however, this may be a very difficult policy to apply. In Chapter 4 we saw that one of the basic principles of systems theory is that the overall operation of a system can be understood in terms of the satisfaction of system needs geared to survival or the achievement of homeostasis (see above section 4.1(c)). Since the employment system involves two distinct steering media, enterprises and governments have to react to two sets of system needs. As is frequently recognized in the policy debate, however, these needs are not guaranteed to pull in the same direction. At any given time an effective institutional configuration may be possible, but maintaining this effectiveness in the face of the changing emergent characteristics of the economic and political-administrative systems can be difficult. Depending on the (contingent) circumstances in which enterprises find themselves, responding to financial pressures may not be compatible with the equally pressing need to abide by formal rules and regulations, whether those internal to the enterprise or those applying more generally. Similarly, governments trying to respond to this kind of contradiction with institutional reform —

changing the internal or external regulatory regimes to which enterprises are subject, or adopting different modes of economic management in the attempt to ease particular pressures — may find that this is not compatible with the exigencies of survival within the political system.

(ii) *Co-operative pragmatism*

Associated with the pluralist polity worldview, the solution we call ‘co-operative pragmatism’ aims to ensure managerial control on the basis of negotiated rule-systems that embody a *fair* compromise between the interests of employees and employers. Like structural pragmatism, the idea is to ensure that the formal rules of the institutions of the employment system remain aligned with the worldviews of participants. However, it is assumed that participants conceive the employment relationship as being conducted in the substantive register, and hence that the *de facto* structural balance of power arising from the state of the money and power systems is not in itself a justification for action. Unlike the two structural solutions, the aim of formal regulation is not to act as the mechanical linkage between action and consequence, but to define the limits of a zone of social action within which interactions between managers and workers will be co-operatively rather than strategically resolved.

It is arguable that this solution, typified by the proposals of the Donovan Commission, has never been subject to serious trial. For all that it was actively canvassed by the likes of Flanders, and its reasonable and conciliatory vocabulary taken up by the TUC, there has never been a sufficiently uniform commitment to its normative underpinnings. The degradation of productivity bargaining into a strategic means to get around wage restraint strongly suggests that the idea that workers and employers should consider each other’s claims from the standpoint of socio-political entitlement rather than bargaining strength is unrealistic (see above, section 2.1(c)).

(iii) *Structural idealism*

A third possible means of stabilizing the employment system is to use regulation to change the worldviews of participants. We can call this ‘structural idealism’ since the aim is not to re-negotiate the formal order of the system in order to accommodate the changed behaviour of system participants but to use regulation to persuade or force behaviour into conformity with a particular ‘ideal’ model of the employment system. This solution is associated with the market subsystem worldview.

As we have repeatedly argued, structural models and forms of understanding are both implied by and imply each other within a totalising systemic worldview. For this reason, the action orientations of system participants can be affected not just directly, through consensus formation in language, but indirectly, via intervention on the level of the system. Depending on

the circumstances, it may be the case that the particular state of the employment system permits policy-makers to change formal rules with a view not to accommodating but to changing forms of understanding of the employment relationship. This change is not principally a matter of discussion or communication, but of empirical *demonstration*. The point is perhaps best explained with an example.

When it came to power in the UK in 1979, the Conservative Party was operating with a structural model of the economy in which monetarism presented an alternative to wage restraint as a means to the end of controlling inflation. Unlike wage restraint, controlling the money supply did not require the consent of the unions and hence the survival imperative of avoiding the active opposition of the union movement was removed. However the policy of strict monetary control did imply an increase in social and industrial unrest consequent upon the reduced level of pay settlements and increased level of unemployment that it caused. The Conservatives assumed (or perhaps merely hoped) that this unrest would only be temporary; that there would be a realignment of the expectations of participants in the employment system on the basis of the re-establishment of economic equilibrium. They appear to have been acting in the awareness that high unemployment would have the effect of changing employees' estimation of the value of having a job.⁶ The increased scarcity of employment led to an increase in the perceived value of its benefits, such that the obligations of employment could be increased without causing crisis in organizations. In other words, managers were in a better position when it came to the negotiation of compliance and hence enterprises became more controllable. The eventual result was the re-establishment of economic stability, which contributed to the re-establishment of political stability on the basis of a changed balance of power between employers and employees.

The Conservatives were, then, able to demonstrate that behaving coherently with their 'ideal' structural model produced adequate system level outcomes where no amount of institutional reform on the basis of existing modes of behaviour had achieved the same thing. The empirical success of their interventions on the system level implied that participants *ought* to have been behaving differently. Thus the fact that most employees simply had no choice but to accept the new terms of the employment relationship could be retrospectively justified with reference both to their individual interest and the public good. Although change in behaviour had been achieved via system-level intervention, it was accompanied by arguments that linked a technical analysis of the nature of the employment system to normative arguments about interests (see above, section 2.3(d)). Judging by the continued electoral success of the Conservatives, workers seem to have broadly accepted the argument that the employment relationship had to change not

⁶ We saw in Chapter 2 how the policy statements of the Party in the run-up to the election warned that there were difficulties ahead which would persist until all involved had learnt to change their ways. See section 2.3(d)(ii).

because the bosses said so, but because the market said so. Hence, normative beliefs and expectations about the conduct and outcomes of the employment relationship were revised even though the government's approach was strategic rather than communicative. The newly achieved systems equilibrium was matched by a re-alignment of forms of understanding.

The great advantage of this approach is that if it can be made to work, it gives rise to very high levels of systemic stability. The power system is largely incorporated within or assimilated to the economic system, and the possibility that there will be a serious conflict between the imperatives of money and power is much reduced. The range of economic imperatives to which enterprises can respond without having to renegotiate the parameters of the employment relationship is much wider. The serious disadvantage is that it is much more difficult to mount political opposition to the plans and strategies of enterprises. Attempts to subject the activities and practices of enterprises to normative controls, whether from within or from outside, are effective only if they can be articulated as economic or financial imperatives. Thus, for example, goals like ensuring equality of treatment between employees of different races have to be presented as a 'business case', and ethical abuses or environmentally damaging production processes will stop only in response to consumer or other commercial pressure. Clearly, this severely limits the possibility of action.

(iv) Co-operative idealism

Unlike the other three solutions, that which we call 'co-operative idealism', implied by the associative community worldview, is not about maintaining or re-establishing stability through *managerial* control. Rather it is about the enterprise's ability consciously to control itself. It is idealist in the sense that it aims to enable more effective enterprise responses to economic pressures by changing participants' attitudes and beliefs about the employment relationship and hence changing their behaviour at work. It is co-operative in the sense that there is no permanent preconceived idea of what that ideal employment system will look like. Instead, this will be the outcome of co-operation; of ongoing processes of consensus formation in language. The role of formal regulation is therefore extremely limited. Indeed one might even say that the stability of the employment system is best achieved through its dissolution in favour of flexible systems of self-management. Thus decisions about what the enterprise is to do can be focused on its responses to economic imperatives but the identification both of what these imperatives are and the range of effective responses that are normatively acceptable will be a matter for all members of the enterprise to agree on the basis of dialogue rather than negotiation.

As compared to structural idealism, co-operative idealism has one major technical advantage. As things stand, it is managers who identify the imperatives of the market. As we

argued above, however, this is not a value-free scientific process. The observed regularities of economic behaviour are interpreted on the basis of the observer's particular worldview. But managers are not a representative sample of the participants in the economic system. Their knowledge of life-experiences other than their own is necessarily limited and their worldview is unlikely to reflect the patterns of understanding of systemic social relationships that actually exist. It seems clear that the broader the range of individuals who are involved in the interpretation of market forces, the more likely it is that the functional characteristics of the economic system will be correctly apprehended and the better adapted enterprise action will be to its demands. Perhaps more importantly, if these individuals participating in enterprise decision-making do so with a communicative attitude, enterprise action will by definition be coherent with valid social norms. Enterprises will be directly sensitive to normative arguments rather than reacting only if these can be put in economic terms.

7.3 A NEW AGENDA FOR THE TRADE UNION MOVEMENT

In this thesis we have tried to show that trade unions and their political supporters have suffered badly from a lack of intellectual resources. In particular they have been unable to defend themselves against the principal theoretical weapon of the neoliberal right, the subordination of politics to economics. This is, of course, precisely what unions have always sought to prevent and its prevention is what liberal pluralist approaches to industrial relations appeared to permit. But the right has moved the argument on and the unions have not kept pace. The belated recognition that British union practices had to change, that workers as well as managers should be looking outward to the market has not been matched by what we would argue is the crucial corresponding demand that workers as well as managers should have the right to interpret what they see there. The market remains under suspicion.

Nonetheless, one of the painful lessons learnt by trade unions over the last thirty years has been that the market economy is not an interim arrangement which has to be dealt with only until the arrival of the new socialist dawn. The evidence suggests that there is no better or more reliable means of organizing material reproduction. What is far from clear, however, is that the internal organization and external regulation of competitive enterprise has to take its current form. Insofar as it can be said that the market gives rise to clear imperatives for enterprises, these are to do with product or service quality and price, and even these demands are relative to social expectations. It would be perfectly viable, then, for trade unions to argue that a very different, more democratic and equitable mode of the social organization of production can and should be introduced while retaining the fundamentals of the market economy.

We saw in Chapters 1 and 2, however, that trade unions in Britain have been unable wholly to break away from the tactical position established when liberal pluralism was the dominant public policy position. This position involves most crucially the refusal to engage in discussion about the fundamental aims and values of private enterprises on the assumption that the basic normative conflict which divides labour and capital is irresolvable and hence that to discuss managerial goals on their own terms is already a capitulation. The favoured means of living with capital remains adversarial bargaining — bargaining in which the aims and values of the other side are never accepted as being of general validity.

The problem is a classic ‘catch 22’. So long as only managers have the right to interpret the imperatives of the market, the trade union movement is probably wise not to accept that the goal of competitiveness is equally in the interest of workers, managers and shareholders. Union caution about positive participation in strategic decision-making appears to be justified. However, we have argued that it is only this kind of unreserved participation in enterprise decision-making — participation entered into with a view to maximizing the effectiveness of enterprise action from the perspective of all members — that will ensure that the damaging collateral effects of market economics can be avoided, and indeed that the full potential of co-operative social interaction in the workplace can be realized.

What we have tried to show is that the problem is fundamentally a logical one, which can be solved if we follow Habermas in defining rationality as including a normative component. It is the recognition of the validity of this component that motivates social actors to co-operate *unreservedly* with the other members of the reference community within which the norms in question apply. In the absence of normative validity, the co-ordination of action becomes a vastly more complex question of aligning multiple individual and group strategic motivations. Where we part company with Habermas is on the issue of whether normative validity — often, perhaps even usually, missing from social relationships in the context of economic and political-administrative systems — can be ‘transmitted’ via systems in which social integration is achieved via the co-ordination of action consequences rather than action orientations. We have argued that it can, that is, that economic systems can be fair, that political-administrative systems can be effective and hence that rational motivation is possible in systemic contexts. We emphasize, however, that this is only a theoretical possibility. It will be the case only under certain fairly strict conditions. These are nonetheless clearly possible and hence we would argue that it is their achievement that should form the goal of a trade union strategy based on the adoption of the associative community worldview.

7.3(a) The conditions for fair exchange

We argued above (section 5.4(a)) that a fair exchange is one that reflects not just the use-value of the commodities exchanged but an acceptable social relationship between the parties to that exchange. A fair exchange will take the situations of buyer and seller — their material needs, values and preferences — equally into account. We suggested that the technical criteria for perfect competition could also be considered as moral criteria for the acceptability of a capitalist economic system since in principle it is free trade that prevents excessive profits. There is one further condition we did not discuss, however, and this is perhaps the most important of all. The medium of exchange is money, but the relative material needs, preferences and values of market actors can be measured only via the intangible concept of marginal utility. The more money an actor possesses, the greater weight his or her preferences carry in an exchange. The marginal utility of money itself to that actor decreases, and thus the amount of money s/he will be prepared to pay to satisfy his or her needs and desires increases. In the context of wide variations in income and wealth, then, money is not a perfect medium since the ‘rate of exchange’ between needs and preferences and money is not constant.

This is not to say that fair exchanges can only arise if buyer and seller have *exactly* the same amount of money. What it does mean is that it is important to ensure that income differentials both within and between societies are kept within reasonable limits. In practice, this implies two things. First, that wage differentials should periodically be subject to review to ensure that they remain in a reasonable relationship with substantive definitions of fairness.⁷ Second, that some provision should be made for intervention to ensure that the distribution of scarce but essential goods is fair. The ability of the wealthier individuals in a society to drive the price of scarce goods to levels that exclude the less wealthy from any possibility of buying them can present a serious social problem. This depends on the goods in question, of course. While there is no pressing need to ensure that the price of diamonds remains within the reach of the less wealthy, the prohibitively high price of inner-city housing, caused by nothing more than the buying power of the better off, clearly requires some kind of action. Problems can also be caused by the ability of wealthier individuals to buy their way out of social problems which then become problems faced only by the less wealthy. Education and healthcare are the obvious examples. On the global level, the huge income differentials between states and the consequent differentials in the price of labour and the purchasing power of consumers mean that opportunities for enormously excessive profit-making by a range of intermediaries are opened up. International trade can only be fair if poorer countries receive the full benefit of their low labour costs.

⁷ We suggested above (section 5.4(c)(i) and note 270) that the use of a cultural standard of fairness in price determination will tend to correct any deviation from that standard consequent on imperfect bargaining conditions.

7.3(b) The conditions for effective authority

We argued above that with respect to responding to system imperatives there were certain technical advantages to broadening participation in decision-making to include workers as well as managers. We can arrive at the same conclusion from an action perspective, but in coming at the issue from this direction we can also suggest something about the way in which that participation should be conducted.

From the action perspective, effective organization depends on the authority relationship being underpinned by valid norms. As we argued above (section 5.6(d)), the closer these norms come to *substantive* validity, the better the quality of compliance which will arise and the more effective the co-ordination of action that will be possible. Substantive validity will only be intended and recognized where all participants approach interactions with a communicative attitude.

Market actors who approach interactions with a communicative attitude need to be able to trust that the market price of a commodity is a valid reference point for the determination of fair exchange values. Where this is the case, they can be confident that in acting strategically they are nonetheless preserving the normative validity of the social relationships in which they participate; that their action will preserve or enhance the equity of the distribution of material goods. Similarly, communicative organizational actors need to be able to trust that the normative order of the organization expresses or embodies aims and values to which they can agree so that that order can be used as the reference point for determining the effectiveness of the authority relationship. This trust will mean that they can accept the authority of office-holders in the knowledge that in so doing they are not surrendering their rights to participate in the definition of valid norms; that the consequences of their actions are in keeping with action orientations that motivate them.

However, although marginal utility can be expressed as money, the degree to which an actor is attached to the realization of certain aims and values — the power equivalent of marginal utility — cannot be encoded in the form of a tangible steering medium. Whereas the validity of the market as a reference point can be defined using the technical criteria of perfect competition and the avoidance of large disparities in actors' access to money, no such neat criteria are available for the power system. We can, nonetheless, proceed by analogy.

The criteria of perfect competition are designed to ensure that it is only the monetary value that individual actors put on their preferences which is of any relevance in determining the outcome of market interactions. The avoidance of large disparities in income will ensure that wealthy individuals are unable to distort market prices. On the same basis we can say that it is

only the validity of aims and values which should be of relevance in determining the outcome of interactions in organizational interactions.

Obviously, each participant bases the decision to comply with an instruction or not on his or her own aims and values, something we have called the irreducible core of subjective choice. The issue of validity does not arise here. However, in principle, the other participant in the authority relationship, the manager, acts on behalf of all of the members of the organization (including the subordinate) considered as a collectivity (see above, section 5.2(b)(i)). In effect, then, each instance of command and response involves a negotiation between the individual and collective interests of the worker. Both the order of the enterprise, and the means by which that order is to be realized in the current instance must embody the collective interest of all the members of the enterprise as well as being in an acceptable balance with the individual interest of the worker.⁸ If the aims and values that constitute the collective interest are to be substantively valid, then each individual member of the enterprise has the inalienable right to participate in their definition and to question managers' interpretation of what they imply for action.

What this all implies is that the equivalent in the power system to disparities of income is disparities in the ability of the organizational actor to put and have heard the case for or against the collective adoption of certain aims and values, or the case that proposed actions are or are not coherent with norms already adopted. The roots of this kind of disparity are many and complex, but there can be little doubt that an essential element in any strategy to prevent it must be deliberative or discursive forms of democracy such as Habermas envisages in the concept of the ideal speech situation or (just to give one other example) that envisaged by Cohen & Sabel in their paper on 'directly-deliberative polyarchy'.⁹ Hence the union demand must be for industrial democracy in the strong sense of non-bargained worker participation in all types of decision-making at all levels of the organization.

7.3(c) Coalition-building and the identification of the public interest

The third element in a new union strategy appropriate to the associative community worldview arises on the basis of the need for the normative order of enterprises to be coherent with the normative order of wider society. As we saw in section 5.1(a), it is an essential element in the order of private organizations that that order is itself permissible, which is to say that its realization will not violate any generally valid social norms. In most contexts, this is rendered as

⁸ For example, no matter how effective an organization in realizing its goals, and no matter how attached to those goals an individual employee may be, if the organization is unable to pay him or her the wage that his individual situation demands, s/he cannot carry on working there.

⁹ Cohen & Sabel, 1997.

the need for organizations to remain within the law, but the aim of effectiveness based on substantive validity requires conformity with informal as well as legal norms. Enterprise action should hence be subject to moral-political limits which reflect or are representative of the interests of society as a whole.

The question that often arises is whether the trade union movement is sufficiently in touch with wider society to act as its spokesperson. Forty or fifty years ago it may have been possible to argue that the British labour movement was reasonably representative of the working class, and thus that it was likely to articulate a set of aims and values which would be recognized as valid by a majority of the population.¹⁰ Today this is clearly not the case. What was once a fairly monolithic Left has fragmented into innumerable social movements — anti-globalization groups, environmental campaigners, consumer activists, local community action groups etc. While the degree of popular support these groups can claim is difficult to establish, their very existence suggests that they represent social and political aims which have not been adequately voiced by the traditional political parties of the left or the union movement.¹¹

On the other hand, however, trade unions are still generally the largest and best-organized social/political associations that exist in democratic societies. Perhaps more importantly, they are uniquely placed to influence enterprise action since they are the only groups capable of placing limits on that action from within; of preventing socially damaging action from ever taking place. It has long been clear, especially to trade unions, that there is little point trying to prevent certain actions at the stage of implementation. Intervention is obviously most effective at the stage at which decisions are taken. External regulation, aside from being politically unfashionable, is clearly less effective than internal. What this implies is that unions should be acting as the focus of social action coalitions rather than behaving as interest associations. This does not mean that they cannot or should not define and articulate their own social and political aims, or that these aims may not in fact represent a general social interest. Unions have always been more than simply interest associations; to such an extent, indeed, that their behaviour in many political contexts cannot be explained in terms of narrow self-interest.¹² Nonetheless, there is a need for trade unions to be aware of the limits of their capacity to represent the social interest on their own

¹⁰ At the same time, of course, we have to recognize the historical failure of the unions to take proper account of the interests of large classes of workers, most notably women and workers from ethnic minorities.

¹¹ In this context it is interesting to note that the father of Carlo Giuliani, the protestor shot and killed by the Italian police at the G8 Summit in Genoa in 2001, was for many years an officer of the historically communist Italian trade union federation CGIL. That father and son chose such different routes to channel the same anger at the injustices of capitalism is perhaps symbolic of the failure of labour movements everywhere to engage with the current wave of anti-capitalist protest.

¹² Flanders argued that unions were certainly interest associations, but that union action was also a 'sword of justice'. Similarly, Terry Cradden has argued that the behaviour of the trade union movement in Northern Ireland is simply incomprehensible unless it is recognized that union officers and members have a commitment to certain normative goals, in this case anti-sectarianism, which overrides self-interest as traditionally understood. (Cradden 1993)

and therefore to extend the opportunities presented by their position within the enterprise to other social and political groups.¹³

7.4 CONCLUSION: TURNING PLURALISM INSIDE OUT

Stephen Ackroyd has suggested that the “the tensions between organisational and societal process have pulled the social structure inside out. Whereas organisation was formerly an element in social structure, now organising has subsumed and subordinated more general social relations.”¹⁴ Liberal pluralist approaches to industrial organization emerged precisely in reaction to the danger that this might occur. While pluralism recognized that the economy was fundamentally a normative phenomenon underpinned by aims and values, it declined to engage directly with these aims and values for the simple reason that it thought the argument could not be won. Instead, the strategy to prevent the dominance of capital was to think of ‘general social relations’ — relations based on valid norms — as a system which, along with the economy, formed an environment for enterprise action. Unions would use their right to negotiate the internal regulatory structures of the enterprise as a means to channel the social and political strength that rested on their capacity to represent the aims and values of the majority of the population. Enterprise action would be *forced* into conformity with the interests of workers.

Clearly, the pluralist strategy failed to prevent the inversion of the social structure. What we have tried to show in this thesis is that pluralism made two mistakes. The first was to assume that enterprises would always be able to find plans of action that would simultaneously be coherent with the imperatives of both systems, that is, that the two systems would adapt to accommodate each other’s requirements. This assumption appears to have been underpinned by a belief that system crisis could always be avoided because business and finance — which is to say the concrete individuals who made decisions about action — would accept the reality of worker and union power and simply adjust their expectations to match. Perhaps ironically, the second mistake was to take too abstract a view of social systems; to rely on a systems perspective to the detriment of the capacity to understand the interdependence of the functional characteristics of systems and the attitudes and beliefs of the individuals who participate in the social interactions from which they are constructed. Pluralism focused on the ‘objective’, material interests of the working class, forgetting both that interests are interpretive and that they can be non-material. Their definition depends on the direct day-to-day experience of the worker and on his or her

¹³ Most of the existing cases in which groups other than unions have been involved in bargaining or deliberation alongside corporate interests have occurred in the course of national level policy-making (see Baccaro 2002). However, as Thomas Kochan recently pointed out in an address to the ILO, it is increasingly the case that successful industrial action involves local coalitions of support as well as just workers and unions (Kochan 2003).

¹⁴ Ackroyd 2000, p105.

perception of the possibility that this experience might be changed or improved. It is not necessarily the case, then, that an 'objective' worsening of the lot of workers will be met with industrial unrest or some other type of mobilisation.

What we have argued in this thesis is that pluralism itself needs to be 'turned inside out'. Rather than a strategic negotiation of rule systems backed by power and money resources, with co-operative relationships bridging any remaining indeterminacy about what should be done, what is required is a co-operative determination of the aims and modalities of action with a strategic bridging of indeterminacy. Ideally, when they hear an instruction, it should be immediately obvious to members of enterprises that compliance is an effective means of realizing the order of the enterprise, that the order of the enterprise embodies aims and values valid within the enterprise considered as a social group, and that those aims and values are wholly coherent with the general or public interest. Unless the order of the enterprise is the subject of some kind of process involving consensus-formation in language, it is unlikely that this will occur. Since the order of the enterprise is made up of non-generalizable norms, however, even this is not enough to ensure compliance. The strategic element that completes the resolution of the interaction arises from the worker's recognition that compliance *also* represents an acceptable compromise between their individual interest and the interest of the enterprise.

The idea that it is possible to achieve coherence between system imperatives and rationality — in the sense, let us recall, of something that *should* be done — has a great many implications, most of which we have not been able to discuss here. Surely among the most important of these, however, is this: for over sixty years, the simple truth that employees work most effectively and are most satisfied in their work when they recognize the validity of the aims of the organization that employs them has been obscured by the belief that those aims are not and cannot be valid in any substantive sense. As long as the right to define the aims of enterprises remains in the hands of a small, self-selecting group of members, this belief is likely in most cases to be true. It ceases to be true only if all members, workers and managers alike, are entitled to participate equally in the construction of the normative order of *their* enterprise.

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Appendix on Sources

The research carried out in the preparation of this thesis involved the analysis of materials not directly cited in the text. These materials were obtained from the libraries of the European University Institute and University College Dublin, the National Library of Ireland and the TUC Library Collections at London Metropolitan University.

Only those documents cited in the text are included in the bibliography as well as in the list below. The official publications listed were all published by Her Majesty's Stationery Office (UK) or the Stationery Office, Dublin (Ireland). The publications of the TUC, CBI, ICTU and FUE/FIE/IBEC were all published by the organizations themselves except where otherwise indicated. The statements of the TUC-Labour Party Liaison Committee were published by the Labour Party. The Conservative Political Centre (CPC) was until 1997 the Conservative Party's political education department. Where its publications have no named author they represent official party policy positions. CPC publications with a named author — all of which appear under the bibliography rather than below — carry the usual institutional disclaimer of responsibility, but can be considered as representative of mainstream currents of thought within the party. The Centre for Policy Studies is a think-tank founded by Margaret Thatcher and Keith Joseph in 1974. Although it is independent of the Conservative Party, it had and retains close links with it.

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